



CALIFORNIA STATE TEACHERS'  
RETIREMENT SYSTEM

2002  
*Supporting your future*

Comprehensive Annual  
Financial Report

A Component Unit of the  
State of California  
June 30, 2002

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*Award of FQA Certificate*

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

California State Teachers'  
Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*William Patrick Pate*  
President

*Jeffrey L. Esser*  
Executive Director



**Public Pension Coordinating Council**  
**Public Pension Principles**  
**2000 Achievement Award**

Presented to

**California State Teachers' Retirement System**

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

*Presented by the Public Pension Coordinating Council, a confederation of*  
Government Finance Officers Association (GFOA)  
National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, appearing to read 'Michael L. Mory', is written in a cursive style.

Michael L. Mory  
Chairman



## CEO Letter of Transmittal

December 20, 2002

California State Teachers' Retirement System  
Post Office Box 15275  
Sacramento, CA 95851-0275



I am pleased to present the Comprehensive Annual Financial Report of the California State Teachers' Retirement System for the fiscal year ended June 30, 2002. The report is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions and determining responsible stewardship of the State Teachers' Retirement Plan and the CalSTRS Voluntary Investment Program. Please note the State Teachers' Retirement Plan consists of the Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs.

I believe this report will be helpful to the California Legislature, CalSTRS members and other interested parties in understanding the California State Teachers' Retirement System, established by law in 1913 to provide retirement benefits to California's public school educators. Responsibility for both the accuracy and completeness of the financial data and the fairness of the presentation rests with me and the management of CalSTRS.

CalSTRS members, as of June 30, 2002, included employees of approximately 1,200 school districts, community college districts, county offices of education and regional occupational programs (listed starting on page 87).

The 2002 CAFR consists of five sections:

The **introductory section** contains this letter of transmittal, the administrative organization and a review of CalSTRS achievements and activities.

The **financial section** includes the report of the independent auditor, the system's financial statements and

supplemental information for the Teachers' Retirement Plan and CalSTRS Voluntary Investment Program.

The **investment section** contains a consultant's report summarizing investment activity, an explanation of investment policy, portfolio performance information and various investment schedules for the State Teachers' Retirement Plan. Investment of the Defined Benefit Supplement and Cash Balance Benefit programs contributions are also discussed. Investment information is not included for the CalSTRS Voluntary Investment Program since all investments are member-directed into mutual funds.

The **actuarial section** includes the actuary's certification letters and summaries for both the CalSTRS Defined Benefit and Cash Balance Benefit programs, in addition to the results of the latest actuarial valuations.

The **statistical section** includes information on the CalSTRS Defined Benefit Program, Cash Balance Benefit Program and CalSTRS Voluntary Investment Program.

### INVESTMENTS

The prolonged negative (bear) market in U.S. and Non-U.S. stocks contributed to a second year of decline in the market value of the CalSTRS' investment portfolio from \$102.8 to \$96.7 billion. The best portfolio strategy during difficult times is portfolio diversification. The declines in the U.S. and Non-U.S. equity portfolio were lessened by the strong positive returns in the Fixed Income and Real Estate portfolio. The CalSTRS' investment portfolio is

invested in a broad number of asset classes and strategies to capture opportunities throughout the economic cycle. CalSTRS continues to be very well funded to meet all the benefit obligations to present-day retirees and future retirees.

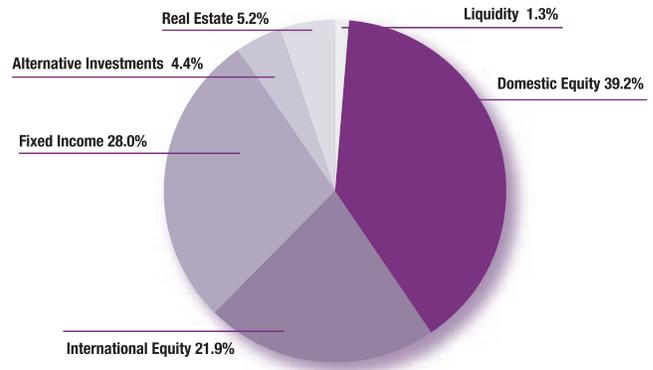
During this difficult market, diversification has continued to benefit the Teachers' Retirement Fund. This is evident when comparing CalSTRS' current experience with that of the corporate pension funds during the last deep bear market of 1974–1975, when many of those funds declined over 25 percent. During this two-year bear market, the CalSTRS' portfolio has declined roughly 15 percent from its peak, all while capturing most of the great positive returns from the late 1990's. As students of financial history, the Investment Committee and investment staff anticipate that markets will cycle and have developed a strategy to ensure the long-term strength of the CalSTRS' portfolio. At the end of the fiscal year the CalSTRS' portfolio allocation was as follows: U.S. Equity 39.2 percent, Non-U.S. Equity 21.9 percent, Private Equity 4.4 percent, Fixed Income 28.0 percent, Real Estate 5.2 percent and short-term investments (cash) 1.3 percent.

## FUNDING

The most recent actuarial valuation, for the fiscal year ended June 30, 2001, shows the Defined Benefit Program has an unfunded actuarial obligation, having 98 percent of the funds needed to pay the cost of the benefit plan in effect on June 30, 2001. Under state law, the Defined Benefit Program receives state General Fund contributions set at a percentage of the prior calendar year's member payroll (see page 68). The cost of administering the State Teachers' Retirement Plan is financed through the contributions and investment earnings of the plan.

## Asset Allocation (6/30/02)

Total investment portfolio of \$96.7 billion



## INITIATIVES

As the third largest pension fund in the U.S., CalSTRS is stepping out onto the national scene to aggressively pursue financial market reforms. This is being accomplished through greater publicity in the news media for CalSTRS' corporate governance actions, an active voice in Washington supporting passage of federal legislation to ensure corporate accountability and even litigation to punish those responsible for the recent corporate scandals and deter future scandals.

In addition to looking outward, CalSTRS has a major initiative focused on its core inner function: service to the members. Despite a severe state budget deficit, CalSTRS successfully sponsored legislation that was signed into law authorizing \$1.8 million to improve CalSTRS' customer service. This initiative will provide for additional human and technology resources to provide the highest standard of service, comparable to that found in private sector financial services organizations.



## AWARDS

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the California State Teachers' Retirement System for its comprehensive annual financial report for the year ended June 30, 2001. This was the fifth consecutive year that CalSTRS has achieved this prestigious award.

In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

CalSTRS also was awarded the Public Pension Coordinating Council's Public Pension Principles Achievement Award in 2000. This two-year award is for achievement of high professional standards for public employee retirement systems. The award is based on compliance with principles that support retirement system achievements in the areas of benefits, actuarial valuations, financial reporting, investments and disclosures to members.

## ACKNOWLEDGMENTS

The compilation of this comprehensive annual financial report reflects the combined effort of CalSTRS staff under the leadership of the Teachers' Retirement Board. I commend their efforts on creating another outstanding report. In addition, I take this opportunity to express my gratitude to the staff, advisors and the many other people and organizations who have worked so diligently to assure the successful operation of the California State Teachers' Retirement System.

Respectfully submitted,

Jack Ehnes  
*Chief Executive Officer*

# Teachers' Retirement Board

(AS OF DECEMBER 31, 2002)

**Gary Lynes**  
**Chairperson**  
**(K-12 Classroom Teacher)**  
**Hillsborough**

*Term:*  
December 1994 to  
December 30, 1998\*



**Phil Angelides**  
**State Treasurer**  
*Ex-Officio Member*



**Paul G. Krasnow**  
**(Insurance Representative)**

*Term:*  
February 22, 2001 to  
February 22, 2005



**Kathleen Connell**  
**State Controller**  
*Ex-Officio Member*



**Karen A. Russell**  
**Vice Chairperson**  
**(K-12 Classroom Teacher)**

*Term:*  
February 22, 2001 to  
February 22, 2005



**Delaine Eastin**  
**Superintendent of  
Public Instruction**  
*Ex-Officio Member*



**Jay Schenier**  
**(School Board Representative)**

*Term:*  
February 22, 2001 to  
February 22, 2005



**B. Timothy Gage**  
**Director, Department  
of Finance**  
*Ex-Officio Member*



**Carolyn A. Widener**  
**(Community College Instructor)**

*Term:*  
February 22, 2001 to  
February 22, 2005



*Vacant: Banking Official, System Retiree  
and Public Representative*

*\* Member continues to serve at Governor's discretion.*



# *Executive Staff*

(AS OF DECEMBER 31, 2002)

**Jack Ehnes**  
Chief Executive Officer



**Christopher J. Ailman**  
Chief Investment Officer



**Peggy A. Plett**  
Deputy Chief Executive Officer  
*Client Benefits and Services*

**Ed Derman**  
Deputy Chief Executive Officer  
*External Affairs and Program Development*



**Bill Hobbs**  
Acting Deputy Chief Executive Officer  
*Enterprise Initiatives and Technology*

**Christopher Waddell**  
Chief Counsel



## *Professional Services*

CalSTRS contracts for the services of various independent consultants essential to the effective and professional operation of the system. Milliman USA provides actuarial services and the independent auditor is PricewaterhouseCoopers, LLP. Lists of investment professionals for investment services and other consultants are provided on schedules four and five in the financial section of the report. A partial list of independent consultants is shown.

- Carroll & Scully, Inc.
- Hogan and Hartson
- Liebman & Associates
- Milliman USA
- PricewaterhouseCoopers, LLP
- Towers & Perrin





# Year in review

## MEMBERSHIP

Membership in the CalSTRS Defined Benefit Program includes California public school employees, kindergarten through community college, who teach, are involved in the selection and preparation of instructional materials, or are supervising persons engaged in those activities.

Membership is in effect as long as the contributions remain on deposit with the program.

Members are employed in approximately 1,200 public school districts, community college districts, county offices of education and state reporting entities in California. The CalSTRS Defined Benefit Program includes service retirement, benefits for survivors and disability benefits.

A beneficiary of a retired member who has elected a joint and survivor option receives a continuing lifetime allowance upon the retired member's death.

As of June 30, 2002, there were a total of 538,367 active and inactive members and 177,069 retired members, disability and survivor benefit recipients. The combined total of members and benefit recipients equals 715,436, an increase of 28,577 more than the previous fiscal year.

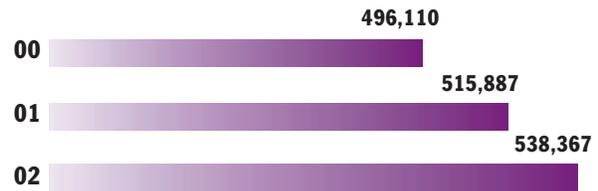
(The audit report of the independent auditors, presented in the financial section, contains Defined Benefit Program membership data as of June 30, 2001, due to the timing of that report.)

## BENEFITS TO MEMBERS AND BENEFIT RECIPIENTS

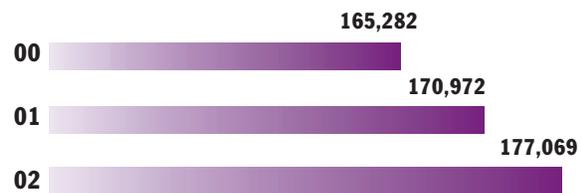
### Service Retirement

CalSTRS desires the retirement process to be positive, rewarding and comfortable for the members. CalSTRS believes fast, accurate and efficient benefit payments are fundamental to achieving this goal.

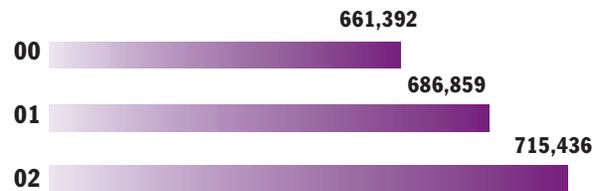
Of the 9,762 members who retired in 2001–02 fiscal year, 99 percent received his or her first benefit payment within the CalSTRS-established goal of issuing payment within 30 days following the person's retirement date (or after receipt of the completed application). CalSTRS' 30-day goal exceeds the 45-day standard mandated by law.



Active and Inactive Members



Benefit Recipients



Total Members and Benefit Recipients

## ***Survivor Benefits***

CalSTRS received 5,655 survivor benefits applications. Of the applications received, 83 percent were processed within the 45-day legislative standard and 75 percent were processed within 30 days.

## ***Disability***

The Disability Services Division received 679 disability applications during the 2001–02 fiscal year.

With a strong commitment to member service, the Initial Review Team processed 100 percent of all applications within six months from the date of receipt.

The work of the Continuing Qualifications and Vocational Rehabilitation programs resulted in an annual savings of more than \$2.3 million to CalSTRS.

## **SERVICES TO MEMBERS AND BENEFICIARIES**

### ***Public Service***

Public Service staff answered 191,602 calls and the CalSTRS automated attendant telephone system received 53,473. The automated interactive telephone system, Teletalk, received 79,377 calls. CalSTRS is proud of the fact that 97.53 percent of the telephone calls handled by staff were answered in the initial call, thus avoiding the need to call the member again. According to a comparative study of telephone service, this performance level rates as a “best in class” practice.

Also, 66.3 percent of all calls were answered within 3 minutes or less.

In addition, the Public Service Office received 31,561 pieces of correspondence from members and other interested parties.

## ***Member Communication***

CalSTRS communicates with members and beneficiaries through the *Bulletin* and the *Retired Educator*. The *Bulletin* is mailed twice a year to active and inactive members. It contains information from CalSTRS’ Chief Executive Officer and the Teachers’ Retirement Board. Also presented are legislative summaries and discussions concerning educator issues.

The *Retired Educator* is mailed twice a year to retired members and benefit recipients. It contains issues and information of special interest to them.

A detailed program book and single-topic brochures are mailed upon request, given to members during personal interviews and are available to employers and employees by mail or telephone request. CalSTRS mails the *New Member Guide* to newly hired educators.

## ***CalSTRS Internet Web Site***

The CalSTRS Web site is intended to provide information for members, employers and CalSTRS’ business partners. The CalSTRS Web site includes many useful features, such as the Retirement Benefit Calculator, which allow members to estimate their retirement benefit; an online feedback form; and the Employer Page to provide county and school district personnel with pertinent information. A variety of other features, ranging from the monthly Teachers’ Retirement Board agenda to various CalSTRS publications are updated throughout the year.

## ***Financial Education Program***

Twenty-nine Financial Education Program workshops were presented throughout the state. Information regarding CalSTRS benefits, financial planning and applicable Social Security provisions were presented to more than 1,448 members and their guests.



## *Retirement Planning Workshops*

Personal retirement benefit interviews were provided to 31,699 members. In addition, 454 workshops covering retirement, disability and survivor benefits were presented to 13,895 members. These interviews and workshops allow members a chance to have direct contact with staff who answer their questions.

## **SERVICES TO EMPLOYERS, MEMBER AND CLIENT ORGANIZATIONS**

The Employer Advisory Committee is composed of county and district employer representatives and CalSTRS staff. The Client Advisory Committee includes CalSTRS staff and members of various organizations representing CalSTRS members and benefit recipients.

These committees meet regularly to provide a forum for active participation in the formation of CalSTRS policies and procedures in areas of information dissemination, benefit plan administration and service to members and beneficiaries.

Reaching consensus with the two committees on legislative proposals, as well as policy issues, is important to the Teachers' Retirement Board. Therefore, CalSTRS employees have also scheduled special meetings and have worked closely with both committees on plan design and other crucial member and employer issues.

Annually, CalSTRS staff conduct an Employer Institute, with one session presented in southern California and another in northern California. CalSTRS processes, laws and policies are discussed with employer staff, giving an opportunity for CalSTRS and employers to exchange information.

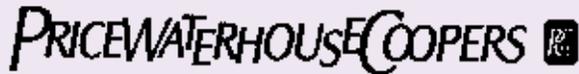
CalSTRS staff also conduct field visits to individual counties and school districts. The purpose of the visit is to provide specific information to the employer regarding CalSTRS' data reporting process.

In addition to the reporting procedures, they discuss the use of the Remote Employer Access Program. This program allows the employer direct access to the CalSTRS database for verification and review of the member's service and contribution records, thereby improving the accuracy and timeliness of the reporting process.



# Report on Audits of Combined Financial Statements and Supplemental Information

AS OF JUNE 30, 2002, AND FOR THE YEAR THEN ENDED



## Report of Independent Accountants

**PricewaterhouseCoopers LLP**  
Suite 1200  
555 Capitol Mall  
Sacramento, CA 95814-4602  
Telephone (916) 903 8100  
Facsimile (916) 930 8450

To the Teachers' Retirement Board  
California State Teachers' Retirement System

In our opinion, based upon our audit and the report of other auditors, the accompanying basic financial statements present fairly, in all material respects, the combined fiduciary net assets of the California State Teachers' Retirement System (System), a component unit of the State of California, as of June 30, 2002, and the changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the System's Voluntary Investment Program. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements is based solely on the report of the other auditors. We previously audited and reported on the financial statements of the System for the year ended June 30, 2001, the reporting entity totals of which are included for comparative purposes only. We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1 to the basic financial statements, the System has an unfunded obligation as determined by an estimate of the pension benefit obligation provided by the System's actuary as of June 30, 2001. Based upon the 2001 actuarial valuation, the future annual contributions required under the California State Education Code appear to be sufficient to fund the System's unfunded obligation by approximately 2030.

As discussed in Note 2 to the basic financial statements, the System has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, for the year ended June 30, 2002.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have

applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules I and II is required under GASB Statement No. 25, *Financial Reporting For Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The supplemental information included in Schedules III through VII is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion and based on the report of other auditors, is fairly stated, in all material respects, in relation to the financial statements taken as a whole from which it has been derived.

A handwritten signature in black ink, appearing to read "Patricia Cooper, CPA". The signature is written in a cursive, flowing style.

September 23, 2002

## California State Teachers' Retirement System Management's Discussion and Analysis As of June 30, 2002

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This Management Discussion and Analysis (MD&A) of the California State Teachers' Retirement System's (System) financial performance provides an overview of the agency's financial activities for the fiscal year ended June 30, 2002. The MD&A is designed to focus on the current year's activities, resulting changes and currently known facts. We encourage you to read it in conjunction with the System's financial statements, notes to the financial statements and the Chief Executive Officer's Letter of Transmittal included in the Introduction section of the of the System's 2002 Comprehensive Annual Financial Report.

The System is primarily responsible for administering retirement, disability, survivor and health benefits, as well as administering a supplemental retirement savings plan for California public school teachers and certain other employees of the state's public school system. The System is comprised of a total of four fiduciary funds:

1. State Teachers' Retirement Plan (STRP)
2. Voluntary Investment Program (VIP)
3. Teachers' Health Benefits Fund (THBF)
4. Teachers' Replacement Benefits Program Fund (TRBPF)

### FINANCIAL HIGHLIGHTS

- ⌘ Net assets decreased by \$6.4 billion or 6% to \$96.8 billion.
- ⌘ Net investment losses decreased by \$3.9 billion or 38% to \$6.3 billion in fiscal 2002 from a loss of \$10.2 billion in fiscal 2001. Total investments, excluding securities lending collateral, at June 30, 2002, decreased by \$5.9 billion or 5.8% to \$96.5 billion.
- ⌘ As of June 30, 2001, the most recent actuarial valuation, the System's Defined Benefit Program was funded at 98%, compared to a funding level of 110% as of June 30, 2000.
- ⌘ Total contributions, as adjusted for timing differences, increased by \$124 million or 2.7% to \$4.7 billion.
- ⌘ Benefit payments increased by \$569 million or 14.4% to \$4.5 billion.
- ⌘ Refund of contributions decreased by \$3.2 million or 4.0% to \$76.6 million.
- ⌘ The Medicare Premium Payment Program began paying benefits on July 1, 2001 and premiums paid to members were \$21.5 million.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements are comprised of the following components: (1) fund financial statements (2) notes to the financial statements (3) required supplemental information and (4) other supplementary information.

**Fund financial statements.** The combined statements of fiduciary net assets presents information on all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, the increase or decrease in net assets serves as a useful indicator of the health of the System's financial position. The combined statements of changes in fiduciary net assets shows how the System's net assets changed during the fiscal year.

# California State Teachers' Retirement System

## Management's Discussion and Analysis

### As of June 30, 2002

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**Notes to the financial statements.** The financial statement notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. Information available in the notes to the financial statements is described below.

- €# Note 1 provides a general description of the System, as well as a concise description of each of the funds administered by the System.
- €# Note 2 provides a summary of significant accounting policies, including the basis of accounting for the System, management's use of estimates, investment accounting policies, information regarding the implementation of new accounting pronouncements, and other significant accounting policies.
- €# Note 3 describes investments, including investment risk categorizations, investing authority and other significant investment information.
- €# Note 4 generally describes potential contingencies of the System.
- €# Note 5 provides a summary of significant commitments incurred by the System.

**Required supplemental information.** The required supplemental information consists of two schedules and related notes on the defined benefit pension plans' funding progress and history of contributions from employers and other contributing entities. These schedules provide historical information that assists in understanding the funded status of the System over time.

**Other supplementary information.** Included in the other supplementary information is detailed information on administrative expenses, investment expenses and consultant and professional services expenses.

#### **FINANCIAL ANALYSIS**

**State Teachers' Retirement Plan (STRP).** The State Teachers' Retirement Plan is a defined benefit pension plan which provides for retirement, disability and survivor benefits. The STRP is comprised of three programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, and the Cash Balance (CB) Benefit Program and is accounted for in a single fund. The STRP net assets decreased 6.2% during the fiscal year, from \$103 billion in 2001 to \$97 billion as of June 30, 2002.

STRP benefits are funded by employer, member and state contributions, and by investment earnings. Total additions decreased for the fiscal year ending June 30, 2002. Member contributions increased by \$29 million or 1.6% while employer contributions decreased by \$159 million or 8.4%. However after adjusting for timing differences, actual member contributions increased by \$38 million or 2.1% while employer contributions increased by \$102 million or 5.8%. The difference in percentage increases, as adjusted, is due to the recognition of revenue from member accounts receivable for service credit purchases and redeposits and employer contributions of \$19 million that were deposited into the Teachers' Health Benefits Fund. State contributions decreased by \$30 million or 3.2% to \$916 million. The decrease in State contributions resulted from a statutory reduction of the contribution rate. The STRP experienced a net investment loss of \$6.3 billion in fiscal 2002 compared with a \$10.2 billion loss in fiscal 2001. This second year of net investment losses reflect the continued downturn in the global equity markets in fiscal 2002.

## California State Teachers' Retirement System Management's Discussion and Analysis As of June 30, 2002

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Deductions for the year totaled \$4.6 billion. Enhanced retirement benefits along with growth in the number of new retirees increased benefit payments to \$4.5 billion, an increase of \$547 million or 13.8% over the prior year. Refund of contributions in fiscal 2002 decreased \$3.5 million or 4.5% to \$ 74 million. Administrative expenses in fiscal 2002 increased \$9.2 million or 17.0% to \$64 million.

STRP investments, excluding securities lending collateral, decreased by \$6.0 billion or 5.8% to \$96.4 billion at June 30, 2002. At June 30, 2002, STRP held \$57.2 billion in U.S. and international equity securities, a decrease of \$4.2 billion or 6.9% from fiscal 2001. At June 30, 2002, STRP also held \$27.4 billion in U.S. debt securities, a decrease of \$1.5 billion or 5.1% from fiscal 2001. Remaining holdings in alternative investments, real estate and short-term investments were \$11.8 billion at June 30, 2002, a decrease of \$0.3 billion or 2.2% from fiscal 2001. Net depreciation on investments decreased by \$4.1 billion or 30.4% to \$9.4 billion in fiscal 2002. Total interest, dividends, other investment income and net securities lending income were \$3.2 billion, which approximated the \$3.3 billion of income recorded in fiscal 2001.

The most recent actuarial valuation for the fiscal year ended June 30, 2001, indicates that the DB Program is underfunded, with 98% of the funds needed to pay the actuarial cost of the benefits accrued as of June 30, 2001. This is a decrease of 12% from the 110% funded status estimated in the June 30, 2000 actuarial valuation. The amount by which the STRP actuarial benefit liabilities exceeded actuarial assets was \$2.2 billion at June 30, 2001. The decrease in funding status in fiscal 2001 is mainly attributable to new benefits enacted, the investment return being less than the assumed return of 8.0% and total teacher payroll increases that were in excess of the assumed rate of 4.25%. The findings of the most recent actuarial valuation indicates that expected future revenue for the DB Program is expected to be sufficient to finance its obligations including amortization of the unfunded status by 2030.

**Voluntary Investment Program (VIP).** The VIP is a tax-deferred defined contribution plan and meets the requirements of the Internal Revenue Code, Section 403(b). Administrative services are provided by CitiStreet, L.L.C. The VIP benefits are the sum of the contributions and investment earnings credited to the member's account at the time of retirement, disability or termination of employment. The VIP is designed to offer members an opportunity to supplement their pension benefits. The VIP's June 30, 2002 investments and net assets each increased by \$4.9 million or 8.6%. Contributions by members in fiscal 2002 decreased by \$0.3 million or 1.8% while investment losses in fiscal 2002 increased by \$1.1 million or 20.8% due to a downturn in the domestic equity market. Deductions from the VIP increased by \$0.5 million or 17.2% to \$3.4 million primarily due to higher member withdraws.

**Teachers' Health Benefits Fund (THBF).** The THBF is an employee benefit trust fund created to administer health benefit programs for members of the California State Teachers' Retirement System. The Medicare Premium Payment Program is the only program within the fund. This program is designed to pay Medicare Part A premiums and surcharges and Part B surcharges for members meeting certain eligibility criteria. This program is funded on an as needed basis from current employer contributions, which increased by \$14.3 million or 297% to \$19.1 million during fiscal 2002. Benefits of \$21.5 million were paid in fiscal 2002. There were no benefits paid in the prior year. The assets of the THBF are invested in the State of California's Surplus Money Investment Fund and earned \$0.1 million in interest income during fiscal 2002.

## California State Teachers' Retirement System Management's Discussion and Analysis As of June 30, 2002

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**Teachers' Replacement Benefit Program Fund (TRBPF).** The TRBPF is a replacement pension benefit plan established to pay the portion of annual benefits that exceed the annual limitations under Section 415 of the Internal Revenue Code of 1986 (26 U.S.C. Section 415). This benefit program is funded from current employer contributions on an as needed basis. Contributions of approximately \$13,000 were received and paid as benefits during fiscal 2002.

### CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM SUMMARY FINANCIAL INFORMATION

#### Net Assets

(Dollars in Thousands)

|                                | 2002              | 2001               | PERCENTAGE<br>CHANGE |
|--------------------------------|-------------------|--------------------|----------------------|
| <b>ASSETS</b>                  |                   |                    |                      |
| Invested Assets <sup>1</sup>   | 96,512,286        | 102,428,165        | (6)%                 |
| Cash and Cash Equivalents      | 69,061            | 65,187             | 6 %                  |
| Receivables                    | 2,036,305         | 3,850,195          | (47)%                |
| Other Assets                   | 873               | 1,914              | (54)%                |
| <b>TOTAL ASSETS</b>            | <b>98,618,525</b> | <b>106,345,461</b> | <b>(7)%</b>          |
| <b>LIABILITIES</b>             |                   |                    |                      |
| Benefits in Process of Payment | 425,339           | 84,067             | 406 %                |
| Investment Settlement          | 969,034           | 2,859,235          | (66)%                |
| Other Liabilities <sup>1</sup> | 450,956           | 203,022            | 122 %                |
| <b>TOTAL LIABILITIES</b>       | <b>1,845,329</b>  | <b>3,146,324</b>   | <b>(41)%</b>         |
| <b>TOTAL NET ASSETS</b>        | <b>96,773,196</b> | <b>103,199,137</b> | <b>(6)%</b>          |

<sup>1</sup> Excludes offsetting entries from Securities Lending Collateral and Obligation.



## California State Teachers' Retirement System Management's Discussion and Analysis As of June 30, 2002

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### Change in Net Assets (Dollars in Thousands)

|  | 2002                   | 2001                   | PERCENTAGE<br>CHANGE |
|--|------------------------|------------------------|----------------------|
| <b>ADDITIONS</b>                         |                        |                        |                      |
| Member/Participant                       | 1,891,493 <sup>2</sup> | 1,853,815 <sup>2</sup> | 2 %                  |
| Employer                                 | 1,874,548 <sup>3</sup> | 1,758,290 <sup>3</sup> | 7 %                  |
| State                                    | 915,825                | 946,194                | (3)%                 |
| Investment / Other                       | (6,308,713)            | (10,236,664)           | 38 %                 |
| <b>TOTAL ADDITIONS</b>                   | <b>(1,626,847)</b>     | <b>(5,678,365)</b>     | <b>71 %</b>          |
| <b>DEDUCTIONS</b>                        |                        |                        |                      |
| Benefit Payments                         | 4,523,167              | 3,954,282              | 14 %                 |
| Refund of Contributions                  | 76,579                 | 79,765                 | (4)%                 |
| Administrative Expenses                  | 64,534                 | 55,334                 | 17 %                 |
| <b>TOTAL DEDUCTIONS</b>                  | <b>4,664,280</b>       | <b>4,089,381</b>       | <b>14 %</b>          |
| <b>INCREASE (DECREASE) IN NET ASSETS</b> | <b>(6,291,127)</b>     | <b>(9,767,746)</b>     | <b>36 %</b>          |

<sup>2</sup> Approximately \$4.4 million of 2001 member contributions have been included in 2002 member contributions for this analysis to account for timing differences.

<sup>3</sup> Approximately \$130.4 million of 2001 employer contributions have been included in 2002 employer contributions for this analysis to account for timing differences.

### REQUESTS FOR INFORMATION

This Financial Report is designed to provide a general overview of the System's finances. For questions concerning any information in this report or for additional information contact the California State Teachers' Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275.

**California State Teachers' Retirement System**  
**Combined Statements of Fiduciary Net Assets**  
**As of June 30, 2002**  
**With reporting entity totals as of June 30, 2002 and 2001**  
**(Dollars in Thousands)**

|   | State<br>Teachers'<br>Retirement<br>Plan | Voluntary<br>Investment<br>Program | Teachers'<br>Health<br>Benefits<br>Fund | Teachers'<br>Replacement<br>Benefits<br>Program<br>Fund | Reporting Entity Totals |                |
|---|--|------------------------------------|---|---|-------------------------|----------------|
|   |  |                                    |   |   | 2002                    | 2001           |
| <b>Assets</b>   |  |                                    |   |   |                         |                |
| Investments, at fair value:   |  |                                    |   |   |                         |                |
| Short-term  | \$ 2,388,047                             | \$ 25,120                          | \$ 1,199                                | \$ -  | \$ 2,414,366            | \$ 2,309,369   |
| Debt securities:  |  |                                    |   |   |                         |                |
| Domestic  | 27,418,057                               | 1,649                              | -                                       | -   | 27,419,706              | 28,889,828     |
| International   | -  | 10                                 | -                                       | -   | 10                      | 42             |
| Equities:   |  |                                    |   |   |                         |                |
| Domestic  | 36,892,653                               | 32,495                             | -                                       | -   | 36,925,148              | 39,879,677     |
| International   | 20,293,719                               | 2,311                              | -                                       | -   | 20,296,030              | 21,586,122     |
| Alternative   | 4,253,767                                | -                                  | -                                       | -   | 4,253,767               | 4,489,768      |
| Real estate   | 5,203,259                                | -                                  | -                                       | -   | 5,203,259               | 5,273,359      |
| Securities lending collateral   | 13,325,351                               | -                                  | -                                       | -   | 13,325,351              | 17,727,789     |
| Total investments   | 109,774,853                              | 61,585                             | 1,199                                   | -   | 109,837,637             | 120,155,954    |
| Cash and cash equivalents   | 69,060                                   | -                                  | 1                                       | -   | 69,061                  | 65,187         |
| Receivables:  |  |                                    |   |   |                         |                |
| Investments sold  | 447,470                                  | 6                                  | -                                       | -   | 447,476                 | 1,030,408      |
| Foreign currency exchange contracts   | 612,459                                  | -                                  | -                                       | -   | 612,459                 | 1,728,543      |
| Interest and dividends  | 447,560                                  | 120                                | -                                       | -   | 447,680                 | 492,461        |
| Member/employer and other   | 527,662                                  | 431                                | 597                                     | -   | 528,690                 | 598,783        |
| Total receivables   | 2,035,151                                | 557                                | 597                                     | -   | 2,036,305               | 3,850,195      |
| Other assets  | 873                                      | -                                  | -                                       | -   | 873                     | 1,914          |
| Total assets  | \$ 111,879,937                           | \$ 62,142                          | \$ 1,797                                | \$ -  | \$ 111,943,876          | \$ 124,073,250 |
| <b>Liabilities</b>  |  |                                    |   |   |                         |                |
| Payable for investments purchased   | \$ 313,293                               | \$ 12                              | \$ -                                    | \$ -  | \$ 313,305              | \$ 1,175,151   |
| Payable for foreign currency<br>exchange contracts  | 655,729                                  | -                                  | -                                       | -   | 655,729                 | 1,684,084      |
| Benefits in process of payment  | 425,240                                  | -                                  | 99                                      | -   | 425,339                 | 84,067         |
| Other liabilities   | 450,864                                  | 63                                 | 29                                      | -   | 450,956                 | 203,022        |
| Securities lending collateral   | 13,325,351                               | -                                  | -                                       | -   | 13,325,351              | 17,727,789     |
| Total liabilities   | 15,170,477                               | 75                                 | 128                                     | -   | 15,170,680              | 20,874,113     |
| Net assets held in trust for pension<br>benefits (a schedule of funding<br>progress is presented in Schedule I) |  |                                    |   |   |                         |                |
|   | \$ 96,709,460                            | \$ 62,067                          | \$ 1,669                                | \$ -  | \$ 96,773,196           | \$ 103,199,137 |

The accompanying notes are an integral part of these financial statements.



**California State Teachers' Retirement System**  
**Combined Statements of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2002**  
**With reporting entity totals for the years ended June 30, 2002 and 2001**  
**(Dollars in Thousands)**

|   | State                | Voluntary        | Teachers'       | Teachers'   | Reporting Entity Totals |                       |
|---|----------------------|------------------|-----------------|-------------|-------------------------|-----------------------|
|   | Teachers'            |                  | Investment      | Health      | Replacement             | 2002                  |
|   | Retirement           | Program          | Benefits        | Benefits    | Program                 |                       |
|   | Plan                 |                  | Fund            | Fund        |                         |                       |
| <b>Additions</b>                                |                      |                  |                 |             |                         |                       |
| Contributions:                                  |                      |                  |                 |             |                         |                       |
| Members   | \$ 1,872,647         | \$ 14,472        | \$ -            | \$ -        | \$ 1,887,119            | \$ 1,858,189          |
| Employers                                       | 1,725,035            | -                | 19,060          | 13          | 1,744,108               | 1,888,730             |
| State of California                             | 915,825              | -                | -               | -           | 915,825                 | 946,194               |
| Total contributions                             | <u>4,513,507</u>     | <u>14,472</u>    | <u>19,060</u>   | <u>13</u>   | <u>4,547,052</u>        | <u>4,693,113</u>      |
| Investment (loss) income:                       |                      |                  |                 |             |                         |                       |
| Net depreciation in fair value of investments   | (9,370,726)          | (8,162)          | -               | -           | (9,378,888)             | (13,467,641)          |
| Interest, dividends and other investment income | 3,063,844            | 2,004            | 118             | -           | 3,065,966               | 3,246,084             |
| Securities lending income                       | 463,821              | -                | -               | -           | 463,821                 | 1,037,286             |
| Less investment expenses:                       |                      |                  |                 |             |                         |                       |
| Cost of lending securities                      | (374,092)            | -                | -               | -           | (374,092)               | (967,581)             |
| Other   | (80,058)             | -                | -               | -           | (80,058)                | (85,226)              |
| Net investment (loss) income                    | <u>(6,297,211)</u>   | <u>(6,158)</u>   | <u>118</u>      | <u>-</u>    | <u>(6,303,251)</u>      | <u>(10,237,078)</u>   |
| Other (expense) income                          | <u>(5,491)</u>       | <u>-</u>         | <u>31</u>       | <u>(2)</u>  | <u>(5,462)</u>          | <u>414</u>            |
| Total additions                                 | <u>(1,789,195)</u>   | <u>8,314</u>     | <u>19,209</u>   | <u>11</u>   | <u>(1,761,661)</u>      | <u>(5,543,551)</u>    |
| <b>Deductions</b>                               |                      |                  |                 |             |                         |                       |
| Retirement, death and survivor benefits         | 4,244,189            | 453              | 21,536          | 13          | 4,266,191               | 3,764,894             |
| Refunds of member contributions                 | 74,025               | 2,554            | -               | -           | 76,579                  | 79,765                |
| Purchasing power benefits                       | 256,976              | -                | -               | -           | 256,976                 | 189,388               |
| Administrative expenses                         | 63,785               | 372              | 377             | -           | 64,534                  | 55,334                |
| Total deductions                                | <u>4,638,975</u>     | <u>3,379</u>     | <u>21,913</u>   | <u>13</u>   | <u>4,664,280</u>        | <u>4,089,381</u>      |
| Net (decrease) increase                         | <u>(6,428,170)</u>   | <u>4,935</u>     | <u>(2,704)</u>  | <u>(2)</u>  | <u>(6,425,941)</u>      | <u>(9,632,932)</u>    |
| Net assets held in trust for pension benefits:  |                      |                  |                 |             |                         |                       |
| Beginning of year                               | <u>103,137,630</u>   | <u>57,132</u>    | <u>4,373</u>    | <u>2</u>    | <u>103,199,137</u>      | <u>112,832,069</u>    |
| End of year                                     | <u>\$ 96,709,460</u> | <u>\$ 62,067</u> | <u>\$ 1,669</u> | <u>\$ -</u> | <u>\$ 96,773,196</u>    | <u>\$ 103,199,137</u> |

The accompanying notes are an integral part of these financial statements.

# California State Teachers' Retirement System

## Notes to the Basic Financial Statements

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### 1. Description of the System and Contribution Information

The California State Teachers' Retirement System (System) is the administrator of cost-sharing multiple-employer pension plans, a tax-deferred defined contribution plan, the Medicare Premium Payment Program and the Replacement Benefits Program as described below. These plans and programs were established and administered by those sections of the State Education Code known as the Teachers' Retirement Law (Section 22000 et. seq.), as amended and enacted by the State of California (State) Legislature. The System is a component unit of the State of California. These financial statements include only the accounts of the System. The System's financial statements are included as a fiduciary fund in the financial statements of the State of California. The System provides pension benefits to California full-time and part-time public school teachers from preschool through grade fourteen and certain other employees of the public school system.

#### State Teachers' Retirement Plan (STRP)

The State Teachers' Retirement Plan (STRP) is comprised of three programs, the Defined Benefit Program (DB Program), the Defined Benefit Supplement Program (DBS Program) and the Cash Balance Benefit Program (CB Benefit Program). The assets of the STRP are held for the exclusive purpose of providing benefits to members and beneficiaries of the DB Program, the DBS Program and the CB Benefit Program and defraying reasonable expenses of administering the STRP and the System.

#### STRP Defined Benefit Program (DB Program)

The DB Program is a defined benefit pension plan which operates under the Internal Revenue Code (IRC). At June 30, 2002, there were approximately 1,200 contributing employers (school districts, community college districts, county offices of education and regional occupational programs). The State is a non-employer contributor to the STRP. Membership is mandatory for all employees meeting certain statutory requirements, and optional for all other employees performing creditable service. At June 30, 2001, membership consisted of:

|   |                |
|---|----------------|
| Active members:                           |                |
| Vested                                    | 243,904        |
| Nonvested                                 | 184,837        |
| Inactive members                          | 87,146         |
| Retirees and benefit recipients           | 170,972        |
| Total members, retirees and beneficiaries | <u>686,859</u> |

Information as of June 30, 2002, will not be available prior to December 2002.



## California State Teachers' Retirement System

### Notes to the Basic Financial Statements

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The DB Program provides defined retirement benefits based on members' final compensation, age, and years of credited service. In addition, the retirement program provides benefits to members upon disability, and to survivors upon the death of eligible members. Benefit provisions include:

## After five years of credited service, members become 100% vested in retirement benefits earned to date. Members are eligible for normal retirement at age 60. The normal retirement benefit is equal to 2% of final compensation for each year of credited service. Early retirement options are available at age 55 or as early as age 50 with 30 years of credited service. Retirements after age 60 are subject to a factor which increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service shall receive an additional 0.2% of final compensation. In no event shall the total benefit factor exceed 2.4%.

Final compensation is defined as the highest average annual compensation during any period of twelve consecutive months for members who retire on or after January 1, 2001 with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elects to pay the additional benefit cost. For all other members, final compensation is defined as the highest average annual compensation earned during any three consecutive years of credited service.

Members with 30 or more years of credited service who retire on or after January 1, 2001, receive a longevity bonus based on the number of years of credited service exceeding 30 years, if at least 30 years of service is credited prior to January 1, 2011.

## After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50% of final compensation plus 10% of final compensation for each eligible child, up to a maximum addition of 40%. The member must have a disability that will exceed a period of twelve or more months to qualify for a benefit.

## A family benefit is available if an active member died and had at least one year of credited service.

## Members' accumulated contributions are refundable with interest upon separation from the System. For the year ended June 30, 2002, the rate of interest credited to members' accounts is 6.0%.

Purchasing power protection is provided to those benefit recipients whose purchasing power has been reduced below certain levels. The purchasing power protection is funded by a combination of School Lands Revenue and State General Fund (General Fund) contributions to the Supplemental Benefit Maintenance Account (SBMA). School Lands Revenue is appropriated pursuant to Public Resources Code Section 6217.5 from the use of school lands. The SBMA provides annual distributions (in quarterly payments) to retired and disabled members, and beneficiaries in order to restore purchasing power to a minimum of 80% of the initial monthly allowance. The State's contributions for the year ended June 30, 2002, were sufficient to meet the purchasing power obligations.

## California State Teachers' Retirement System

### Notes to the Basic Financial Statements

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#### Required Contributions

Required member and employer contribution rates are set by the Teachers' Retirement Law.

Required contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. The System also uses the level percentage of payroll method to calculate the amortization of any unfunded liability.

A summary of statutory contribution rates and other sources of contributions to the DB Program is as follows:

- Members - 6% of applicable member earnings through December 31, 2010, increasing to 8% thereafter.
- Employers - 8.25% of applicable member earnings.
- State of California - Beginning July 1, 1999, under Education Code Section 22955, the General Fund transferred annually to the DB Program an amount equal to 3.102% of total creditable earnings of the immediately preceding calendar year to fund certain benefit enhancements effective January 1, 1999. The enactment of Chapter 1021, Statutes of 2000 (AB 2700) provided for a reduction in such funding from the General Fund to a factor of 2.5385% beginning July 1, 2000. The funding was further reduced to 1.9750% beginning July 1, 2001, and effective through June 30, 2003. Beginning July 1, 2003, the rate increases to 2.017% of the member's creditable earnings from the fiscal year ending in the prior calendar year.

Beginning October 1, 1998, a statutory contribution rate of 0.524%, adjustable annually in 0.25% increments up to a maximum of 1.505%, of the creditable earnings of the immediately preceding calendar year was established under Education Code Section 22955. This contribution is reduced to zero if there is no unfunded obligation and no normal cost deficit for benefit plans in place as of July 1, 1990. Although there was an unfunded obligation of \$2.2 billion as of the June 30, 2001 actuarial valuation, there was no normal cost deficit and there was no unfunded obligation for benefits in place as of July 1, 1990.

In their most recent actuarial valuation as of June 30, 2001, the System's independent actuaries determined that, at June 30, 2001, the actuarial value of the DB Program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$2.2 billion. Based on this valuation, the current statutory contributions are equivalent to 17.117% of covered payroll and are sufficient to fund normal cost (16.497% of covered payroll) and amortize the actuarial unfunded obligation of \$2.2 billion at June 30, 2001 by 2030. While certain risks related to the global financial markets may affect the fair value of the System's investment portfolio, the System's management is continually evaluating the impact of market fluctuations on the assets of the DB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.



## California State Teachers' Retirement System Notes to the Basic Financial Statements

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### **STRP Defined Benefit Supplement Program (DBS Program)**

The DBS Program, established pursuant to Chapter 74, Statutes of 2000 (AB 1509), is a defined benefit pension plan that operates within the STRP. All persons who were active members of the DB Program on or after January 1, 2001, are also members of the DBS Program.

Beginning January 1, 2001 and through December 31, 2010, two percent of applicable member earnings are credited to the members' nominal DBS Program accounts. Interest is credited to the nominal DBS Program accounts at the minimum guaranteed annual rate established by the Board prior to each plan year, which was 6.0% for the year ended June 30, 2002. The Board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the expected rate of return.

In the actuarial study, which is less in scope than an actuarial valuation, of the DBS Program's assets and liabilities as of June 30, 2001, the System's independent actuaries determined that the actuarial value of liabilities of the new DBS Program exceeded the actuarial value of assets by \$6 million. While certain risks related to the global financial markets may affect the fair value of the System's investment portfolio, the System's management is continually evaluating the impact of market fluctuations on the assets of the DBS Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

### **STRP Cash Balance Benefit Program (CB Benefit Program)**

The CB Benefit Program, established under Chapter 592, Statutes of 1995 was subsequently merged into the STRP by Chapter 1048, Statutes of 1998 (SB 2085), is a defined benefit pension plan. The CB Benefit Program operates under the IRC and is designed for employees of California's public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position.

Participation in the CB Benefit Program is optional to school districts, community college districts, county offices of education and regional occupational programs. A school district, community college district, county office of education, or regional occupational program may elect to offer the CB Benefit Program. Under such election, each eligible employee will automatically be covered by the program, unless the employee elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer.

A summary of statutory contribution rates for the CB Benefit Program is as follows:

|              |   |                                       |
|--------------|---|---------------------------------------|
| Participants | - | 4% of applicable participant earnings |
| Employers    | - | 4% of applicable participant earnings |

Employers may enter into a collective bargaining agreement to pay different rates if certain minimum conditions are met. At June 30, 2002, there were 25 contributing school districts and 14,553 contributing participants.

## California State Teachers' Retirement System

### Notes to the Basic Financial Statements

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In their most recent actuarial valuation as of June 30, 2001, the System's independent actuaries determined that the actuarial obligation of the CB Benefit Program exceeded the actuarial value of assets by \$1.2 million. While certain risks related to the global financial markets may affect the fair value of the System's investment portfolio, the System's management is continually evaluating the impact of market fluctuations on the assets of the CB Benefit Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

#### **Voluntary Investment Program (VIP)**

The VIP (formerly STRS 403(b) Program) was established pursuant to Chapter 291, Statutes of 1994. Under the requirements of IRC Section 403(b), the VIP is a tax-deferred defined contribution plan and is open to any employee from the state's school districts, community college districts, county offices of education and regional occupational programs. Contributions to the program are voluntary and are not subject to a minimum limitation, however, the IRC establishes a maximum amount that can be contributed annually. At June 30, 2002, there were 2,981 plan participants and 461 participating employers (school districts).

Administrative services including custody and record keeping are provided by CitiStreet, L.L.C. The investments are comprised of money market, S&P 500, international index, self-managed and participant notes funds.

#### **Teachers' Health Benefits Fund (THBF)**

The THBF was established pursuant to Chapter 1032, Statutes of 2000 (SB 1435) to provide the Medicare Premium Payment Program to retired members of the DB Program. Beginning July 1, 2001, funds from the THBF are used to pay Medicare Part A premiums for DB Program members who are retired or will retire prior to January 1, 2006, and who meet certain other eligibility criteria.

The THBF is funded as needed, from that portion of the monthly DB Program statutory employer contribution that exceeds the DB Program annual required contribution. Management believes that the current source of THBF funding will be adequate to provide for the statutory THBF benefits.

#### **Teachers' Replacement Benefits Program Fund (TRBPF)**

IRC Section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. The TRBPF was established pursuant to Chapter 465, Statutes of 1999 (AB 819) and initially funded during the year ended June 30, 2001, to provide benefits to the members of the System whose defined benefit retirement benefit exceeds IRC limits.

The TRBPF is funded as needed. Monthly employer contributions are received by the TRBPF and paid to members in amounts "equivalent to" the benefits not paid as a result of IRC Section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2002, there were two retirees participating in the TRBPF.



## California State Teachers' Retirement System

### Notes to the Basic Financial Statements

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#### 2. Summary of Significant Accounting Policies

##### **Basis of Accounting**

The accounting records of the System are maintained on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer and State contributions are recognized when due and the employer or State has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the System's retirement and benefits programs.

##### **Use of Estimates in the Preparation of Financial Statements**

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and when applicable, disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on deposit and highly liquid financial instruments with original maturities of 90 days or less. Significant cash equivalents held by the System include repurchase agreements and foreign currency.

##### **Investments**

The majority of the securities held in the investment portfolio at June 30, 2002, are in the custody of or controlled by State Street Bank, the System's master custodian. State statutes and Board policies allow investments consisting of government, corporate and international bonds, domestic and international equities, mutual funds, limited partnership holdings, real estate, mortgages and other investments.

All investments are reported at fair value. The fair values of investments are generally based on published market prices and quotations from major investment firms. In the case of debt securities acquired through private placements, fair value is computed by management based on market yields and average maturity dates of comparable quoted securities. Mortgages are valued based on future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Real estate equity investment fair values are based on either recent estimates provided by the System's contract real estate advisors or independent appraisers. Short-term investments are reported at cost or amortized cost, which approximates fair value. Alternative investments represent interests in private equity partnerships in which the System enters under a limited partnership agreement. For alternative investments and other investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments.

The System presents, in the combined statements of changes in fiduciary net assets, the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation and depreciation on those investments. Purchases and sales of debt securities, equity securities and short-term investments are recorded on the trade date. Real estate equity transactions are recorded on the settlement date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

There are certain market risks, credit risks, foreign currency exchange risks and event risks which

## California State Teachers' Retirement System

### Notes to the Basic Financial Statements

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may subject the System to economic changes occurring in certain industries, sectors or geographies.

#### **Foreign Currency Exchange Contracts**

The STRP enters into forward foreign currency exchange contracts for hedging purposes to minimize the short-term impact of foreign currency fluctuations on the asset positions of foreign investments. These foreign currency exchange contracts are reported at fair value based on published market prices and quotations from major investment firms. The STRP could be exposed to risk if the counter-parties to the contracts are unable to meet the terms of their contracts. The STRP seeks to minimize risk from counter-parties by establishing minimum credit quality standards and maximum credit limits.

#### **Administrative Expenses**

The VIP reimburses the STRP for administrative services provided on its behalf. The THBF reimburses the STRP for certain facilities operation expenses provided on its behalf.

#### **Income Taxes**

The STRP, THBF and TRBPF are organized as tax-exempt retirement or benefit plans under the IRC. The VIP is organized as a tax-deferred supplemental program under the IRC. The System's management believes that it has operated these funds and programs within the constraints imposed by federal tax law.

#### **Investment Expenses**

Expenses directly associated with investment management have been included as other investment expenses. Indirect expenses have not been allocated.

#### **Securities Lending Transactions**

The System reports securities lent, the cash collateral held as assets, and the related liabilities resulting from securities lending transactions on the combined statements of plan net assets. The System also reports the costs of lending securities as investment expenses on the combined statements of changes in fiduciary net assets.

#### **Reclassification of Prior Year Amounts**

Certain amounts in the prior year reporting entity totals have been reclassified to conform with the current year presentation. Such reclassifications had no impact on the net assets held in trust for pension benefits of each of the System's funds.

## California State Teachers' Retirement System

### Notes to the Basic Financial Statements

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#### New Accounting Pronouncements

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB Statement No. 34 provides a financial reporting model for governmental entities that addresses four basic reporting elements: management's discussion and analysis, government-wide and fund financial statements, notes to the financial statements and required supplementary information.

The System adopted GASB Statement No. 34 for the year ending June 30, 2002, which required the System to present Management's Discussion and Analysis (MD&A) as required supplementary information preceding the basic financial statements as well as several changes to the presentation of its basic financial statements:

- ⌘# The statement of net assets, formerly referred to as the combined statements of plan net assets is now referred to as the combined statements of fiduciary net assets.
- ⌘# The statement of changes in net assets, formerly referred to as the combined statements of changes in plan net assets is now referred to as the combined statements of changes in fiduciary net assets.
- ⌘# The financial statements taken as a whole, formerly referred to as the general purpose financial statements, are now referred to as the basic financial statements.

The adoption of GASB Statement No. 34 did not have an impact on the net assets of the System's funds.

### 3. Cash, Cash Equivalents, and Investments

Cash held in the System's general operating accounts with the State Treasury was approximately \$3.9 million at June 30, 2002. These monies are pooled with the monies of other State agencies and invested by the State Treasurer's Office.

The System's investments are categorized below to give an indication of the category risk level assumed by the System at June 30, 2002, as defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party or by its trust department or agent but not in the System's name. Investment pools managed by other governments, mutual funds, investments held by broker-dealers under securities loans, alternative investments and real estate equity investments are not categorized.

## California State Teachers' Retirement System

### Notes to the Basic Financial Statements

The following table presents cash equivalents and investments held by the System, by type, at June 30, 2002 (dollars in thousands):

| Investment Type  | Category<br>1 | Category<br>2 | Category<br>3 | Category<br>Rating Not<br>Required | Fair<br>Value  |
|--|---------------|---------------|---------------|------------------------------------|----------------|
| Investments:   |               |               |               |                                    |                |
| Categorized:   |               |               |               |                                    |                |
| Short-term investments                                     | \$ 525,806    | \$ -          | \$ -          | \$ 1,888,560                       | \$ 2,414,366   |
| Debt securities  | 19,303,266    | -             | -             | 1,659                              | 19,304,925     |
| Equity securities  | 51,695,441    | -             | -             | 34,806                             | 51,730,247     |
| Securities lending collateral                              | 13,325,351    | -             | -             | -                                  | 13,325,351     |
| Not categorized:   |               |               |               |                                    |                |
| Alternative investments                                    | -             | -             | -             | 4,253,767                          | 4,253,767      |
| Real estate equity investments                             | -             | -             | -             | 5,203,259                          | 5,203,259      |
| Investments held by broker-dealers under securities loans: |               |               |               |                                    |                |
| Debt securities  | -             | -             | -             | 8,114,791                          | 8,114,791      |
| Equity securities  | -             | -             | -             | 5,490,931                          | 5,490,931      |
| Total investments  | 84,849,864    | -             | -             | 24,987,773                         | 109,837,637    |
| Cash equivalents:  |               |               |               |                                    |                |
| Repurchase agreements                                      | 20,758        | -             | -             | -                                  | 20,758         |
| Foreign Currency   | 44,361        | -             | -             | -                                  | 44,361         |
| Total cash equivalents                                     | 65,119        | -             | -             | -                                  | 65,119         |
| Total cash equivalents and investments                     | \$ 84,914,983 | \$ -          | \$ -          | \$ 24,987,773                      | \$ 109,902,756 |

Short-term investments of the System as of June 30, 2002, are comprised of the following (dollars in thousands):

|                               |                     |
|-------------------------------|---------------------|
| Surplus Money Investment Fund | \$ 259,393          |
| Commercial paper              | 399,934             |
| Short-term agencies           | 118,377             |
| Short-term Investment Fund    | 1,629,167           |
| Treasury bills                | 7,495               |
|                               | <u>\$ 2,414,366</u> |

The investment in the Surplus Money Investment Fund (SMIF), administered by the State, represents various investments with average days to maturity of approximately 180 days, and is reported at amortized cost which approximates fair value.

The investment in the Short-term Investment Fund, administered by State Street Bank, represents various investments with average days to maturity of approximately 43 days, and is reported at amortized cost which approximates fair value.

The repurchase agreement transactions as of June 30, 2002, have underlying collateral with fair values of approximately 102% of the cost of the repurchase agreement. The agreed-upon yield is 0.85% with maturity dates through July 1, 2002.



## California State Teachers' Retirement System

### Notes to the Basic Financial Statements

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Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held temporarily in foreign interest-bearing accounts until it is able to be repatriated or expended.

State statutes and Teachers' Retirement Board policies permit the System to lend its securities to broker-dealers and other entities for which collateral is received with a simultaneous agreement to return the collateral for the same securities in the future. STRP has contracted with third party securities lending agents to lend domestic and international equity and debt securities. All securities loans can be terminated on demand by either STRP or the borrower. Collateral in the form of cash or other securities is required for 102% and 105% of the fair value of domestic and international securities, respectively, loaned. As of June 30, 2002, the System has no credit risk exposure to borrowers because the amounts the STRP owes the borrowers exceed the amounts the borrowers owe the STRP. Cash collateral is invested in short-term investments, which at year-end have a weighted-average maturity of less than 90 days, and the assets held as collateral are presented in the above table of investments held. STRP is not permitted to pledge or sell collateral securities received unless the borrower defaults. The contracts with the security lending agents require them to indemnify STRP if the borrowers fail to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay STRP for income distributions by the securities' issuers while the securities are on loan.

#### 4. Contingencies

The System is involved in litigation relating to various matters. In the opinion of management, after consultation with legal counsel, the outcome of these litigations is not expected to have a material adverse effect on the System's financial position.

#### 5. Commitments

In connection with the purchase of various partnership interests under its alternative investment portfolio and the real estate portfolio, the STRP has remaining funding commitments of approximately \$4.3 billion and \$0.6 billion, respectively, at June 30, 2002.

The STRP has entered into agreements to guarantee payment of principal and interest on certain debt securities in the event that the primary obligator defaults. The STRP is paid a fee over the term of such agreements, and in the event of default, the STRP could draw on a standby letter-of-credit for repayment. At June 30, 2002, the STRP had commitments of approximately \$1.3 billion expiring through September 2007. Fee income earned by the STRP was approximately \$3.2 million for the year ended June 30, 2002.



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## **Required Supplemental Information**

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Funding Progress**  
**June 30, 2002**

**Schedule I**

The information presented in Supplemental Schedules I and II was determined as part of the actuarial valuations at June 30, 2001.

| <b>Actuarial Valuation Date as of June 30</b> | <b>Actuarial Value of Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) (b)</b> | <b>Unfunded (Funded) AAL (UAAL) (b-a)</b> | <b>Funded Ratio (a/b)</b> | <b>Covered Payroll (c)</b> | <b>UAAL as a % of Covered Payroll ((b-a)/c)</b> |
|---|--------------------------------------|--|---|---------------------------|----------------------------|---|
|---|--------------------------------------|--|---|---------------------------|----------------------------|---|

Defined Benefit Program <sup>(2)</sup> (dollars in millions):

|      | (1)        | (1)        | (1)      | (1)   | (1)       | (1)   |
|------|------------|------------|----------|-------|-----------|-------|
| 2002 |            |            |          |       |           |       |
| 2001 | \$ 107,654 | \$ 109,881 | \$ 2,227 | 98 %  | \$ 20,585 | 11 %  |
| 2000 | 102,225    | 93,124     | (9,101)  | 110 % | 18,224    | (50)% |
| 1999 | 90,001     | 86,349     | (3,652)  | 104 % | 17,185    | (21)% |
| 1998 | 77,290     | 74,234     | (3,056)  | 104 % | 15,741    | (19)% |
| 1997 | 67,980     | 69,852     | 1,872    | 97 %  | 14,521    | 13 %  |

Cash Balance Benefit Program <sup>(2)</sup> (dollars in thousands):

|      | (1)       | (1)       | (1)      | (1)   | (1)       | (1)  |
|------|-----------|-----------|----------|-------|-----------|------|
| 2002 |           |           |          |       |           |      |
| 2001 | \$ 15,768 | \$ 16,938 | \$ 1,170 | 93 %  | \$ 97,921 | 1 %  |
| 2000 | 10,868    | 10,351    | (517)    | 105 % | 70,605    | (1)% |
| 1999 | 5,224     | 5,001     | (223)    | 104 % | 50,426    | 0 %  |
| 1998 | 790       | 1,728     | 938      | 46 %  | 18,838    | 5 %  |
| 1997 | (393)     | 164       | 557      | (240) | 4,504     | 12 % |

Defined Benefit Supplement Program <sup>(3)</sup> (dollars in millions):

|      | (1)    | (1)    | (1)  | (1)  | (1)       | (1)    |
|------|--------|--------|------|------|-----------|--------|
| 2002 |        |        |      |      |           |        |
| 2001 | \$ 207 | \$ 213 | \$ 6 | 97 % | \$ 20,585 | 0.03 % |

(1) Beginning July 1, 2001, actuarial valuations are not prepared in even numbered years. No estimation using actuarial methodology is made in years between valuations.

(2) Effective January 1, 1999, the Defined Benefit Plan (DB Plan) and the Cash Balance Plan (CB Plan) merged to establish the State Teachers' Retirement Plan (STRP) which includes the Defined Benefit Program (DB Program) and the Cash Balance Benefit Program (CB Benefit Program). All actuarial data prior to year ended June 30, 1999, relates to the DB Plan and CB Plan.

(3) Effective January 1, 2001, the Defined Benefit Supplement Program (DBS Program) was established as part of the STRP. The information presented above for the DBS Program was subject to an actuarial study only, which is less in scope than a full actuarial valuation.



**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Contributions from Employers and Other Contributing Entities**  
**For the year ended June 30, 2002** **Schedule II**

The information presented in Supplemental Schedules I and II was determined as part of the actuarial valuations at June 30, 2001. For the year ended June 30, 2002, the DBS Program is funded by member contributions only.

| <b>Year Ended June 30</b> | <b>Annual Required Contribution (a)</b> | <b>Contributed By Employers<sup>(1)</sup> (b)</b> | <b>Contributed By the State<sup>(2)</sup> (c)</b> | <b>Total Contributed (b + c)</b> | <b>Percentage Contributed (b + c)/a</b> |
|---------------------------|---|---|---|----------------------------------|---|
|---------------------------|---|---|---|----------------------------------|---|

Defined Benefit Program<sup>(3)</sup> (dollars in millions):

|      |          |          |        |       |      |
|------|----------|----------|--------|-------|------|
| 2002 | \$ 2,498 | \$ 1,851 | \$ 385 | 2,236 | 90%  |
| 2001 | 1,794    | 1,749    | 455    | 2,204 | 123% |
| 2000 | 1,150    | 1,584    | 519    | 2,103 | 183% |
| 1999 | 1,473    | 1,492    | 209    | 1,701 | 115% |
| 1998 | 1,911    | 1,419    | 587    | 2,006 | 105% |
| 1997 | 1,835    | 1,299    | 555    | 1,854 | 101% |

Cash Balance Benefit Program<sup>(3)</sup> (dollars in thousands):

|      |          |          |      |       |      |
|------|----------|----------|------|-------|------|
| 2002 | \$ 3,586 | \$ 3,586 | \$ - | 3,586 | 100% |
| 2001 | 3,036    | 3,036    | -    | 3,036 | 100% |
| 2000 | 2,365    | 2,365    | -    | 2,365 | 100% |
| 1999 | 1,561    | 1,561    | -    | 1,561 | 100% |
| 1998 | 772      | 772      | -    | 772   | 100% |
| 1997 | 74       | 74       | -    | 74    | 100% |

- (1) For DB Program years ended June 30, 1998 and earlier, amounts include employer contributions under Education Code Sections 22950 and 22953. For the years ended June 30, 1999 and thereafter, amounts include employer contributions under Education Code Sections 22950 and 22951. For the year ended June 30, 2000, amount includes employer contributions under Education Code Sections 22135, 22714 (less amounts deposited in the SBMA) and 22718.
- (2) The DB Program includes state contributions under the Education Code, Section 22955.
- (3) Effective January 1, 1999, the DB Plan and the CB Plan merged to establish the STRP which includes the DB Program and the CB Benefit Program. All actuarial data prior to year ended June 30, 1999, relates to the DB Plan and CB Plan.

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Contributions from Employers and Other Contributing Entities**  
**For the year ended June 30, 2002** **Schedule II (Continued)**

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Additional information as of the June 30, 2001, actuarial valuation is as follows:

|                                   | <b>DB Program</b>                                     | <b>CB Benefit Program</b>          |
|-----------------------------------|---|------------------------------------|
| Actuarial Cost Method             | Entry age normal                                      | Traditional Unit Credit            |
| Amortization Method               | Level percent of payroll                              | Not applicable                     |
| Amortization Period               | Open  | Not applicable                     |
| Remaining Amortization Period     | 29 - Years  | Not applicable                     |
| Asset Valuation Method            | Expected value with 33%<br>adjustment to market value | Fair market value<br>of net assets |
| <br>Actuarial Assumptions:        |   |                                    |
| Investment rate of return         | 8.00%   | 8.00%                              |
| Interest on accounts              | 6.00%   | 8.00%                              |
| Projected salary increases        | 4.25%   | 4.25%                              |
| Consumer price inflation          | 3.50%   | 3.50%                              |
| Post-retirement benefit increases | 2.00% simple  | Not applicable                     |

The DBS Program was only subject to an actuarial study, which is less in scope than a full actuarial valuation. The actuarial cost method used for the DBS Program study was the traditional unit credit method. The asset valuation method used for the DBS Program study was the fair market value of net assets method. The assumed investment rate of return and interest on accounts for the DBS Program study were both 8.00%. All other information, as presented above, was not applicable to the study.



## **Other Supplemental Information**

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Administrative Expenses**  
**For the year ended June 30, 2002**  
**(Dollars in Thousands)**

**Schedule III**

|   |                  |
|---|------------------|
| <b>Personnel services:</b>                    |                  |
| Salaries and wages                            | \$ 24,407        |
| Staff benefits                                | 5,089            |
| Accrued vacations                             | 3,522            |
| Total personnel services                      | <u>33,018</u>    |
| <b>Operating expenses and equipment:</b>      |                  |
| General expense                               | 1,642            |
| Depreciation expense                          | 133              |
| Printing                                      | 1,075            |
| Communications                                | 666              |
| Postage                                       | 894              |
| Insurance                                     | 10               |
| Travel  | 246              |
| Training                                      | 192              |
| Facilities operations                         | 3,750            |
| Consultants and professional services         | 5,342            |
| Consolidated data center:                     |                  |
| Consultants and professional services         | 10,017           |
| Data processing:                              |                  |
| Consultant and professional services          | 6,823            |
| Software and other                            | 738              |
| Central administrative services               | 1,571            |
| Equipment                                     | 124              |
| Other   | 1                |
| Total operating expenses and equipment        | <u>33,224</u>    |
| Total current year expenses that are budgeted | <u>66,242</u>    |
| Past prior year expenses, net                 | <u>(2,457)</u>   |
| Total   | <u>\$ 63,785</u> |
| <b>Fund sources:</b>                          |                  |
| SBMA/administration expense                   | \$ 83            |
| Reimbursements                                | 243              |
| Prior-Budget Act,                             | 211              |
| Budget Act, Chapter 106, Statutes 2001        | 62,645           |
| Legislation, Chapter 802, Statutes 2001       | 559              |
| Legislation, Chapter 1021, Statutes 2001      | 44               |
| Total fund sources                            | <u>\$ 63,785</u> |



**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Investment Expenses from Continuous Appropriation**  
**For the Year Ended June 30, 2002**  
**(Dollars in Thousands)**

**Schedule IV**

## External equity managers:

## Domestic:

|                                   |    |               |
|-----------------------------------|----|---------------|
| Ariel Capital Management          | \$ | 1,722         |
| Barclays Global Investors         |    | 2,459         |
| Brison Partners                   |    | 2,478         |
| Brown Capital Management Inc.     |    | 1,001         |
| Chicago Equity Partners           |    | 398           |
| Delaware Investment Advisors      |    | 575           |
| Delphi Management, Inc.           |    | 987           |
| Denver Investment Advisor Inc.    |    | 5,678         |
| DSI International Management      |    | 261           |
| First Quadrant                    |    | 468           |
| Mellon Capital Management         |    | 68            |
| NCM Capital Management Group Inc. |    | 505           |
| Putnam Investments                |    | 407           |
| Sasco Capital, Inc                |    | 3,474         |
| State Street Bank Global Advisors |    | 1,401         |
| TCW Asset Management              |    | 485           |
| Total domestic                    |    | <u>22,367</u> |

## International:

|  |  |               |
|--|--|---------------|
| Bank of Ireland                              |  | 2,170         |
| Barclays Global Investors                    |  | 1,200         |
| Battery March                                |  | 743           |
| Blackrock International Ltd.                 |  | 1,039         |
| Brinson Partners                             |  | 1,403         |
| Capital Guardian Trust                       |  | 4,078         |
| Delaware International Trust                 |  | 1,400         |
| Fidelity Management Trust Co.                |  | 1,479         |
| Fiduciary Trust International                |  | 1,433         |
| Goldman Sachs                                |  | 1,404         |
| Lazard Freres Asset Management               |  | 2,293         |
| Marvin & Palmer Associates Inc.              |  | 2,024         |
| Morgan Stanley                               |  | 1,479         |
| Newport Pacific Management                   |  | 791           |
| Nicholas Applegate                           |  | 1,785         |
| Oechsle International Advisors               |  | 3,844         |
| Schroder Capital Management Investment, Ltd. |  | 1,482         |
| Scudder Kemper Investments                   |  | 1,857         |
| State Street Global Advisors                 |  | 1,714         |
| Total international                          |  | <u>33,618</u> |
| Total external equity managers               |  | <u>55,985</u> |

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Investment Expenses from Continuous Appropriation**  
**For the Year Ended June 30, 2002**  
**(Dollars in Thousands)**

**Schedule IV (Continued)**

|   |                  |
|---|------------------|
| External fixed income managers                          |                  |
| Hartford Investmentmanagement Company                   | 43               |
| MW Post Advisory Group, LLC                             | 42               |
| Seix Investment Advisors                                | 200              |
| Total external fixed income managers                    | <u>285</u>       |
| Real estate managers/advisors:                          |                  |
| CB Richard Ellis  | 5,509            |
| Clarion Partners  | 1,593            |
| Heitman Capital MGMT LLC                                | 1,549            |
| Lend Lease Real Estate Inv                              | 4,218            |
| Lowe Enterprises  | 928              |
| MIG Realty Advisors, Inc.                               | 750              |
| SSR Realty Advisors                                     | 1,559            |
| Sentinel Realty Advisors                                | 115              |
| Thomas Properties                                       | 748              |
| Total real estate managers/advisors                     | <u>16,969</u>    |
| Advisors and consultants:                               |                  |
| Callan Associates                                       | 16               |
| Pathway Capital Management, LLC                         | 1,455            |
| Pension Consulting Alliance                             | 707              |
| The McMahan Group                                       | 173              |
| Watson Wyatt Worldwide                                  | 23               |
| William Mercer Investments                              | 6                |
| Total advisors and consultants                          | <u>2,380</u>     |
| Attorneys, master custodian and insurers:               |                  |
| Cox, Castle & Nicholson                                 | 164              |
| Groom Law Group   | 41               |
| Robert Driver Ins Brokerage                             | 257              |
| State Street Bank & Trust Co.                           | 3,500            |
| Total attorneys, master custodian and insurers          | <u>3,962</u>     |
| Other Expenses:   |                  |
| CSUS Foundation   | 66               |
| Miscellaneous   | 124              |
| State Controller's Office                               | 22               |
| State Personnel Board                                   | 1                |
| Stephen Teale Data Center                               | 36               |
| Travel  | 228              |
| Total other expenses                                    | <u>477</u>       |
| Total investment expenses from continuous appropriation | <u>\$ 80,058</u> |



**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Consultant and Professional Services Expenses**  
**For the Year Ended June 30, 2002**  
**(Dollars in Thousands)**

**Schedule V**

| Individual or Firm                        | Commission/<br>Fee | Nature of Service                  |
|---|--------------------|------------------------------------|
| Consulting and professional services:     |                    |                                    |
| Alameda County Office of Education        | \$ 92              | Regional Counseling Services       |
| California State University Foundation    | 233                | Consulting Services                |
| Campbell Union High School District       | 174                | Regional Counseling Services       |
| Carroll & Scully, Inc.                    | 10                 | Legal Services                     |
| Contra Costa County Office of Education   | 99                 | Regional Counseling Services       |
| Department of General Services            | 22                 | Legal Services                     |
| Department of Justice                     | 130                | Legal Services                     |
| Dr. Lindle Hatton                         | 37                 | Consulting Services                |
| EFL Associates                            | 65                 | Consulting Services                |
| Fresno County Office of Education         | 75                 | Regional Counseling Services       |
| Goldfarb & Associates                     | 19                 | Vocational Assessments and Reports |
| Hogan & Hartson                           | 196                | Advocate and Legal Representation  |
| Howard, Phillips & Andersen               | 10                 | Legal Services                     |
| Kern County Superintendent of Schools     | 97                 | Regional Counseling Services       |
| Liebman & Associates                      | 30                 | Vocational Assessments and Reports |
| Los Angeles County Office of Education    | 144                | Regional Counseling Services       |
| Los Angeles County Supt. Of Schools       | 518                | Regional Counseling Services       |
| Maria Caseillas                           | 19                 | Vocational Assessments and Reports |
| Merced County Office of Education         | 33                 | Regional Counseling Services       |
| Milliman USA                              | 180                | Actuarial Services                 |
| Orange County Department of Education     | 181                | Regional Counseling Services       |
| PricewaterhouseCoopers LLP                | 96                 | Audit and Consulting Services      |
| San Bernardino County Office of Education | 266                | Regional Counseling Services       |
| San Diego County Office of Education      | 402                | Regional Counseling Services       |
| San Francisco County Office of Education  | 47                 | Regional Counseling Services       |
| San Joaquin County Office of Education    | 88                 | Regional Counseling Services       |
| San Juan Unified School District          | 151                | Regional Counseling Services       |
| San Mateo-Foster School District          | 79                 | Regional Counseling Services       |
| Santa Barbara County Office of Education  | 89                 | Regional Counseling Services       |
| Santa Cruz County Office of Education     | 79                 | Regional Counseling Services       |
| Shasta County Office of Education         | 123                | Regional Counseling Services       |
| Solano County Office of Education         | 67                 | Regional Counseling Services       |
| Sonoma County Office of Education         | 89                 | Regional Counseling Services       |
| Stanislaus County Office of Education     | 50                 | Regional Counseling Services       |
| State Controller's Office                 | 962                | Various Financial Services         |
| Superior Rehabilitation Services          | 25                 | Vocational Assessments and Reports |
| Towers & Perrin                           | 40                 | Consulting Services                |
| Tulare County Superintendent of Schools   | 51                 | Regional Counseling Services       |
| Ventura County Superintendent of Schools  | 57                 | Regional Counseling Services       |
| Visual Communications                     | 35                 | Consulting Services                |
| W.O.B. Management                         | 13                 | Vocational Assessments and Reports |
| Other                                     | 169                | Various Services under \$10        |
|   | 5,342              |                                    |

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Consultant and Professional Services Expenses**  
**For the Year Ended June 30, 2002**  
**(Dollars in Thousands)**

**Schedule V (Continued)**

| Individual or Firm                                  | Commission/<br>Fee | Nature of Service           |
|---|--------------------|-----------------------------|
| Data Processing:                                    |                    |                             |
| California Systems Consultants                      | 53                 | Data Processing             |
| Dapru, Incorporated                                 | 92                 | Data Processing             |
| Direct Applications, Inc.                           | 18                 | Data Processing             |
| Eclipse Solutions                                   | 208                | Data Processing             |
| Inforce, Inc.                                       | 44                 | Data Processing             |
| Information Technology                              | 243                | Data Processing             |
| International Network                               | 198                | Data Processing             |
| Key Municipal Finance                               | 96                 | Data Processing             |
| Nanran  | 495                | Data Processing             |
| Net Incomm Incorporated                             | 466                | Data Processing             |
| NFP Accounting                                      | 87                 | Data Processing             |
| Norrisoft   | 16                 | Data Processing             |
| Pilot Computer Systems                              | 156                | Data Processing             |
| Sapphire Technologies                               | 94                 | Data Processing             |
| Science Applications                                | 93                 | Data Processing             |
| Sierra Metrics, Inc                                 | 312                | Data Processing             |
| Software AG, Inc.                                   | 468                | Data Processing             |
| Software House International                        | 36                 | Data Processing             |
| Steelpoint Technologies                             | 61                 | Data Processing             |
| Synergy Consulting, Inc.                            | 22                 | Data Processing             |
| Tetra Corporation Services                          | 19                 | Data Processing             |
| Visionary Integration                               | 894                | Data Processing             |
| Worldgroup Consulting                               | 2,424              | Data Processing             |
| Wright On-Line Systems                              | 187                | Data Processing             |
| Other   | 41                 | Various Services under \$10 |
|   | <u>6,823</u>       |                             |
| Consolidated Data Center:                           |                    |                             |
| Health and Welfare Data Center                      | 17                 | Data Processing             |
| Stephen P. Teale Data Center                        | 10,000             | Data Processing             |
|   | <u>10,017</u>      |                             |
| Total consultant and professional services expenses | <u>\$ 22,182</u>   |                             |



**California State Teachers' Retirement System**  
**Voluntary Investment Program**  
**Schedule of Administrative Expenses**  
**For the Year Ended June 30, 2002**  
**(Dollars in Thousands)**

**Schedule VI**

|   |    |            |
|---|----|------------|
| CitiStreet, L.L.C. administrative fees      | \$ | 347        |
| State Teachers' Retirement Plan sponsor fee |    | <u>25</u>  |
| Total                                       | \$ | <u>372</u> |

**California State Teachers' Retirement System**  
**Teachers' Health Benefits Fund**  
**Schedule of Administrative Expenses**  
**For the Year Ended June 30, 2002**  
**(Dollars in Thousands)**

**Schedule VII**

**Personnel services:**

|                          |            |
|--------------------------|------------|
| Salaries and wages       | \$ 170     |
| Staff benefits           | 40         |
| Accrued vacations        | 23         |
| Total personnel services | <u>233</u> |

**Operating expenses and equipment:**

|   |               |
|---|---------------|
| General expense                               | 136           |
| Printing                                      | 3             |
| Postage                                       | 4             |
| Facilities operations                         | 4             |
| Data processing:                              |               |
| Software and other                            | 1             |
| Equipment                                     | 5             |
| Total operating expenses and equipment        | <u>153</u>    |
| Total current year expenses that are budgeted | <u>\$ 386</u> |

|                               |               |
|-------------------------------|---------------|
| Past prior year expenses, net | (9)           |
| <b>Total</b>                  | <u>\$ 377</u> |

**Fund sources:**

|  |               |
|--|---------------|
| Continuous Appropriation - Chapter 1032 Statutes of 2000 | <u>\$ 377</u> |
|--|---------------|



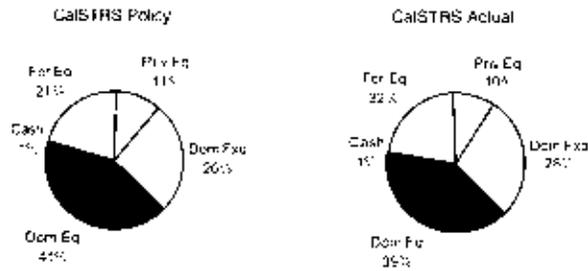
# Investment Consultant's Report



The CalSTRS investment portfolio declined by \$6.1 billion over the past year ending with a value of \$96.7 billion on June 30, 2002. As highlighted below, the CalSTRS portfolio is broadly diversified, holding investments ranging from publicly-traded short-term bonds to privately-held partnerships. Clearly, the scale and breadth of investments make the management and oversight of these assets highly complex. In light of these factors, CalSTRS has been effective in using its resources in a cost-efficient manner to ensure that benefits continue to flow to CalSTRS participants

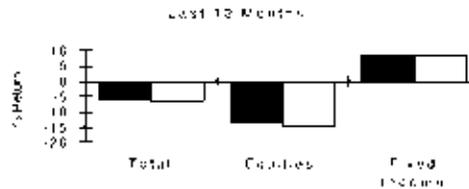
### Investment Allocation

The most critical factor influencing overall investment performance is the allocation of the CalSTRS portfolio across major asset classes. The current policy reflects an asset allocation structure adopted for the 2002-2003 fiscal year (see left pie chart) as a step towards long-term targets adopted in October of 2001. The portfolio's actual allocation is slightly different from policy. Foreign equity and Domestic Debt are slightly overweighted while Domestic Equity and Private Equity are slightly underweighted (see right pie chart).

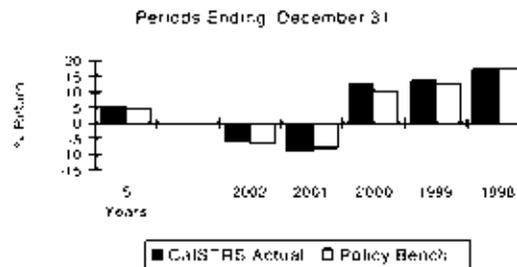


### Investment Results

Over the last year, the CalSTRS investment portfolio produced an overall return of minus (5.9%) ranking near median among its large public pension fund peers<sup>1</sup> (top bar chart). The portfolio outperformed policy by approximately 70 basis points largely due to relative outperformance of the Fund's Domestic and Foreign equity asset classes.<sup>2</sup>



During the last three years, CalSTRS' portfolio generated a minus (1.2%) return (third quartile vs. peer funds) versus minus (1.7%) for the policy benchmark. Over the last five years, the CalSTRS investment portfolio produced an average annual return of 5.0%, exceeding its policy benchmark by 30 basis points per year (bottom chart). Successive one-year periods are shown as well. For periods ending June 30, CalSTRS' portfolio has outperformed its policy benchmark in three of the latest five one-year periods.<sup>3</sup>



<sup>1</sup> Peer: TUCS Universe for Public Funds with assets in excess of \$1 billion

<sup>2</sup> The policy benchmark consists of passively managed asset class portfolios weighted by CalSTRS' policy allocations. The difference between actual results and the benchmark are due to two factors: (i) deviations from policy and (ii) active decisions on the part of CalSTRS and its investment managers

<sup>3</sup> CalSTRS investment performance is calculated using a monthly internal rate of return and day-weighted cash flows. Periods longer than one month are geometrically linked. This method of return calculation complies with AIMR performance presentation standards

The prolonged negative (bear) market in U.S. and Non-U.S. stocks contributed to a second year of decline in the market value of the CalSTRS' investment portfolio from \$102.8 to \$96.7 billion. The best portfolio strategy during difficult times is portfolio diversification. The declines in the U.S. and Non-U.S. equity portfolio were lessened by the strong positive returns in the Fixed Income and Real Estate portfolio. The CalSTRS' investment portfolio is invested in a broad number of asset classes and strategies to capture opportunities throughout the economic cycle. CalSTRS continues to be very well funded to meet all the benefit obligations to present-day retirees and future retirees.

During this difficult market, diversification has continued to benefit the Teachers' Retirement Fund. This is evident when comparing CalSTRS' current experience with that of the corporate pension funds during the last deep bear market of 1974–1975, when many of those funds declined over 25 percent. During this two-year bear market, the CalSTRS' portfolio has declined roughly 15 percent from its peak, all while capturing most of the great positive returns from the late 1990's. As students of financial history, the Investment Committee and investment staff anticipate that markets will cycle and have developed a strategy to ensure the long-term strength of the CalSTRS' portfolio. At the end of the fiscal year the CalSTRS' portfolio allocation was as follows: U.S. Equity 39.2 percent, Non-U.S. Equity 21.9 percent, Alternative Investments 4.4 percent, Fixed Income 28.0 percent,

Real Estate 5.2 percent and short-term investments (cash) 1.3 percent.

As a perpetual defined benefit plan, CalSTRS has a very long investment time horizon. It is always difficult to ride through tough times. Yet, history has proven time and again, that a consistent investment philosophy and policy can help keep one's perspective looking out toward the goal, all the while those around you are tossed about by the daily news and events.

Many people are concerned that the stock market has taken back some of the gains from the late 1990's. Participants in the CalSTRS Defined Benefit Program must always keep in mind that the benefits are defined and are not affected by the changes in the portfolio's value. A broad perspective and a glimpse back over the past 10 years prove out the statement that the Defined Benefit Program is still in a very strong financial condition. As you review the accompanying charts look back over the past ten years and note that, despite the recent decline, the Teachers' Retirement Fund remains much larger and healthier than a decade ago.

Chart A illustrates the growth in the total investment portfolio, excluding securities lending collateral, over the

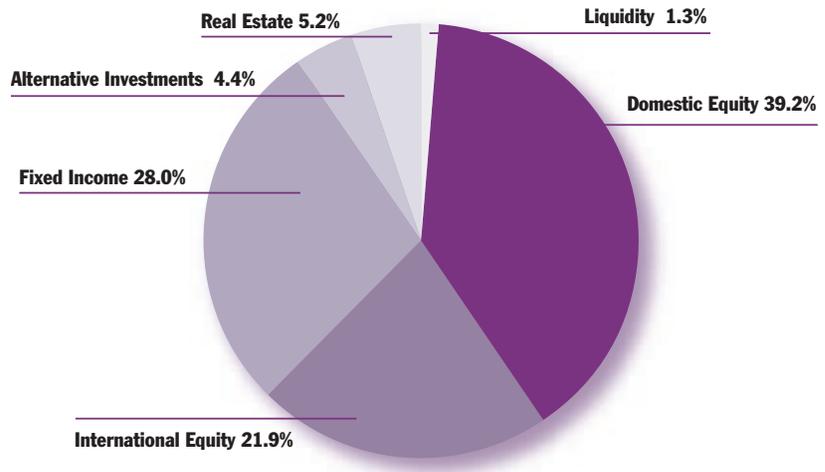


**CHART A**  
Growth in total investments  
(in millions)



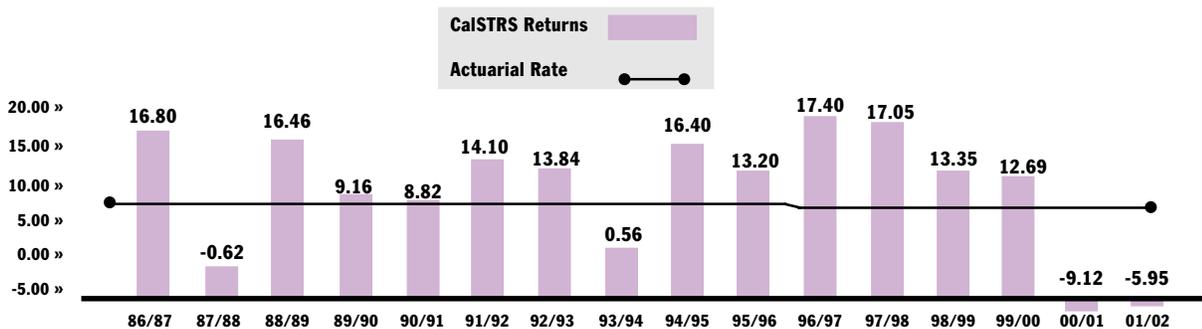
## ASSET ALLOCATION (6/30/02)

Total investment portfolio of \$96.7 billion



## CHART B

Growth in CalSTRS' returns (percent)



past 15 years. Chart B compares CalSTRS' returns with the three-year average assumed actuarial goal for the Fund. Chart C shows the performance returns for all of the asset classes in the portfolio relative to their benchmark indices. The return calculations are consistent with Association of Investment Management and Research performance presentation standards.

## BENCHMARK CHANGES

During the past fiscal year the CalSTRS Investment Committee reviewed and approved new benchmarks for both the U.S. Equity and Fixed Income asset classes. The Russell 3000 Index was selected for U.S. Equity and the Lehman Brothers U.S. Aggregate and High Yield Cash Pay

for Fixed Income. As a result of the new index benchmark changes, adjustments have been undertaken within both asset classes. In addition, the Investment Committee continued to have all of the investment benchmarks modified to exclude tobacco companies.

## OBJECTIVES

The core objectives of the Investment Management Plan remained unchanged. The primary objectives are set forth in the California Constitution and the California Education Code. The foremost objective is to provide for present and future benefit payments, then to diversify the assets, and finally, endeavor to reduce CalSTRS funding costs.

## CHART C

Performance returns for major asset categories

| Portfolio Type / Associated Indices | 1 Yr   | 3 Yr  | 5 Yr  | 10 Yr |
|-------------------------------------|--------|-------|-------|-------|
| <b>Total Fund</b>                   | -5.95  | -1.24 | 5.03  | 8.51  |
| <i>Domestic Equity</i>              | -16.68 | -7.71 | 3.68  | 10.88 |
| Russell 3000 *                      | -17.34 | -8.14 | 3.70  | 11.19 |
| Wilshire 5000                       | -16.62 | -8.21 | 3.57  | 11.05 |
| <i>International Equity</i>         | -8.09  | -5.61 | -0.88 | N/A   |
| MSCI All Country Free ex US (G) *   | -8.37  | -6.39 | -1.85 | 5.42  |
| MSCI Europe, Australia & Far East * | -9.73  | -6.87 | -1.60 | 5.37  |
| MSCI Emerging Market Free *         | 1.31   | -6.47 | -8.49 | 2.47  |
| <i>Fixed Income</i>                 | 8.47   | 7.97  | 8.02  | 8.13  |
| Salomon LPF                         | 8.78   | 8.23  | 7.88  | 8.05  |
| <i>Real Estate</i>                  | 11.11  | 11.34 | 14.89 | 7.96  |
| Real Estate Custom **               | 6.34   | 9.47  | 11.42 | 8.08  |
| <i>Alternative Investments</i>      | -8.02  | 11.97 | 17.44 | 18.91 |
| Alternative Investments Custom ***  | 4.09   | 7.02  | 9.46  | N/A   |
| <i>Liquidity</i>                    | 3.86   | 5.70  | 5.84  | 5.52  |
| Salomon 3-Month Treasury Bill       | 2.46   | 4.46  | 4.66  | 4.58  |

\* CalSTRS adopted tobacco free indices beginning 9/1/00

\*\* NCREIF after 7/1/97 and Institutional Property Consultants prior to 7/1/97; lagged 1 quarter

\*\*\* Blend of the [Russell 3000 + 5% + 90 day T-Bill] after 4/1/99 and [CPI + 12%] prior to 4/1/99; lagged 1 quarter

Additionally, the Teachers' Retirement Board and staff strive to run the investment program in such a manner so as to maintain the trust of the participants and public.

## FIXED INCOME

The fixed income assets within the CalSTRS Investment Portfolio include internally managed investment grade securities of approximately \$26.3 billion and externally managed high yield securities of approximately \$783 million, which collectively are expected to generate a risk-adjusted return that is representative of the broad market-weighted universe of U.S. bonds. The strategic performance objective for the Fund's fixed income portfolios is to consistently exceed the total return of the

broad market-weighted benchmark by following an enhanced indexing strategy for the internally managed portion and an active strategy for the externally managed high yield portion. Incremental value is to be added by allocating assets among the different market sectors and by taking advantage of specific investment opportunities within each of those market sectors. For the fiscal year ended June 30, 2002, the fixed income portfolios trailed the performance benchmark return of 8.78 percent by 31 basis points.

In June 2002, the Teachers' Retirement Board adopted a new performance benchmark for the Fund's fixed income assets. This was noteworthy in that the previous fixed income performance benchmark was in place for fifteen



years and operated within a customized, fixed sector-weighted framework. The new benchmark selected is designed to be representative of the sectors within the U.S. bond market, and is therefore classified as a broad market-weighted index. The primary implication of the change in benchmarks is a significant expansion of the opportunity available for investment that more accurately reflects the fixed income markets.

The Fixed Income unit also manages three other programs: Currency Hedging, Home Loan and Securities Lending.

### *Currency Hedging Program*

The Currency Hedging Program was developed in conjunction with the Fund's 20 percent strategic allocation to non-dollar equities, all of which have an unhedged performance benchmark. As a result, the ability to hedge (or sell) the underlying foreign currency exposure is intended to preserve the value of the non-dollar equity assets during periods of a strengthening dollar. Through the fiscal year ended June 30, 2002, the Currency Hedging Program generated approximately \$620 million in additional income.

### *Home Loan Program*

The CalSTRS Home Loan Program was established as a result of legislation designed to provide value to the membership in the form of a mortgage loan at a market rate, while meeting the investment goals of the System by generating a mortgage asset. The assets created by the program are either purchased and managed as part of the mortgage allocation within the fixed income portfolio, or sold in the financial markets. Currently, three loan programs are offered through participating Correspondent Lenders who generate approximately \$40 million in mortgage loans every month. Over the past several years, Home Loan Program staff has concentrated on program revitalization and developing loan programs that address unmet needs within the membership, such as affordability, recruitment and retention issues. Looking forward, this focus on affordability and recruitment programs is expected to continue. In addition, staff will pursue opportunities and strategies to develop additional alliances with agencies and organizations that complement the CalSTRS Home Loan Program.

## CHART D

Largest fixed income holdings as of June 30, 2002 (*CalSTRS maintains a complete list of portfolio holdings*)

| Issue                 | Maturity Date | Interest Rate | Par         | Market Value | Average Cost | Unrealized Gain/(Loss) |
|-----------------------|---------------|---------------|-------------|--------------|--------------|------------------------|
| USTREAS BDS           | 15-Feb-20     | 8.500%        | 300,000,000 | 397,703,970  | 359,911,925  | 37,792,045             |
| USTREAS BDS           | 15-Feb-15     | 11.250%       | 235,000,000 | 365,363,900  | 330,357,194  | 35,006,706             |
| USTREAS BDS           | 15-May-17     | 8.750%        | 250,000,000 | 333,607,475  | 257,774,050  | 75,833,425             |
| USTREAS BDS           | 15-Aug-22     | 7.250%        | 270,000,000 | 321,642,900  | 306,693,179  | 14,949,721             |
| USTREAS BDS           | 15-Feb-19     | 8.875%        | 220,000,000 | 299,237,400  | 242,123,371  | 57,114,029             |
| FEDERAL NATL MTG ASSN | 17-Feb-11     | 6.250%        | 250,000,000 | 256,892,200  | 250,000,000  | 6,892,200              |
| USTREAS BDS           | 15-Aug-19     | 8.125%        | 200,000,000 | 256,208,000  | 207,642,162  | 48,565,838             |
| USTREAS BDS           | 15-Nov-21     | 8.000%        | 200,000,000 | 255,854,000  | 246,394,331  | 9,459,669              |
| USTREAS BDS           | 15-Nov-16     | 7.500%        | 200,000,000 | 240,782,000  | 206,136,195  | 34,645,805             |
| USTREAS BDS           | 15-Aug-17     | 8.875%        | 175,000,000 | 236,120,500  | 193,937,988  | 42,182,512             |

## CHART E

Largest equity holdings as of June 30, 2002 (*CalSTRS maintains a complete list of portfolio holdings*)

| Issue                    | Shares     | Market Value  | Average Cost | Unrealized Gain/(Loss) |
|--------------------------|------------|---------------|--------------|------------------------|
| General Electric Co.     | 34,572,783 | 1,004,339,346 | 578,323,208  | 426,016,138            |
| Exxon Mobil Corp.        | 22,546,104 | 922,586,576   | 492,092,983  | 430,493,593            |
| Microsoft Corp.          | 15,729,408 | 860,398,618   | 475,502,127  | 384,896,490            |
| Pfizer Inc.              | 22,383,932 | 783,437,620   | 419,858,370  | 363,579,250            |
| Citigroup Inc.           | 17,992,251 | 697,199,726   | 394,180,702  | 303,019,024            |
| American Intl Group Inc. | 8,148,680  | 555,984,436   | 240,354,143  | 315,630,293            |
| Wal Mart Stores Inc.     | 10,097,680 | 555,473,377   | 196,898,996  | 358,574,381            |
| Johnson & Johnson.       | 10,399,731 | 543,489,942   | 295,798,501  | 247,691,441            |
| BP plc.                  | 52,681,733 | 442,468,129   | 322,383,339  | 120,084,789            |
| Intel Corp.              | 23,132,672 | 422,633,917   | 297,581,294  | 125,052,624            |

### *Securities Lending Program*

The Securities Lending Program is designed to enable the Fund to use its existing asset base of lendable securities and investment expertise to generate incremental income. The strategic performance objective for the program is to earn income commensurate with the market demand for the securities made available for lending and the return earned on the investment of cash collateral, all within the guidelines set forth by CalSTRS intended to mitigate the risks associated with securities lending. For the fiscal year ending June 30, 2002, the Securities Lending Program earned approximately \$90 million, making it the program's best performing year since its inception in 1988. There were a number of factors that contributed to the performance. The program had just recently been restructured, and the investment markets were as bond-friendly as ever, with the Federal Reserve lowering short-term interest rates an unprecedented 475 basis points.

### INTERNAL EQUITY MANAGEMENT

The objective for Internal Equity Management is to implement a portion of the passive component of the

domestic equity allocation. The performance objective of the internally managed portfolio was to closely track the return of the S&P 500 ex-Tobacco Index. As of June 30, 2002, the portfolio had a market value of \$13.4 billion. The return of the portfolio was -18.21 and -9.41 percent for the one-year and three-year periods, respectively. The portfolio met its objective to closely track the index. During the fiscal year, the CalSTRS Investment Committee reviewed and approved the Russell 1000 Index (ex-Tobacco) as the benchmark for the portfolio. The change to the new benchmark occurred on July 1, 2002.

The Cash Equitization Program enables CalSTRS' domestic equity allocation to remain close to the Board-approved strategic asset allocation policy target. The program seeks to achieve the total return of the S&P 500 Index by holding S&P 500 futures contracts or other similar securities, backed by a portfolio of short-term fixed income securities. As of June 30, 2002, the program had a market value of \$115 million. The return of the program was -16.33 and -8.51 percent for the one-year and three-year periods, respectively. The program outperformed its benchmark in each period by 1.66 and 0.67 percent, respectively.



## CHART F

Investment summary for the year ended June 30, 2002 (in millions)

| Portfolio Type                      | 30-Jun-01     |                | 30-Jun-02     |                |                   |                   |
|-------------------------------------|---------------|----------------|---------------|----------------|-------------------|-------------------|
|                                     | Book Value    | Market Value   | Book Value    | Market Value   | % of Market Value | Net Market Change |
| Domestic Equity                     | 23,587        | 39,951         | 28,628        | 37,887         | 39.18%            | -2,064            |
| International Equity                | 22,829        | 22,984         | 21,972        | 21,220         | 21.95%            | -1,764            |
| Fixed Income                        | 27,498        | 28,217         | 26,260        | 27,065         | 27.99%            | -1,152            |
| Alternative Investments             | 3,987         | 4,515          | 4,136         | 4,257          | 4.40%             | -258              |
| Real Estate                         | 5,257         | 5,274          | 5,210         | 5,034          | 5.21%             | -240              |
| Liquidity                           | 1,867         | 1,867          | 1,233         | 1,233          | 1.28%             | -634              |
| <b>Total Portfolio</b>              | <b>85,026</b> | <b>102,808</b> | <b>87,439</b> | <b>96,696</b>  | <b>100.00%</b>    | <b>-6,112</b>     |
| Plus: Securities Lending Collateral |               | 17,728         |               | 13,325         |                   |                   |
| Less: Accruals                      |               | 381            |               | 181            |                   |                   |
| Less: Cash & Cash Equiv             |               | —              |               | 65             |                   |                   |
| <b>Plan Net Assets-Investments</b>  |               | <b>120,155</b> |               | <b>109,775</b> |                   |                   |

## CHART G

Schedule of fees July 1, 2001 through June 30, 2002 (in thousands)

|  | Assets Under Management | Fees            | Basis Points |
|--|-------------------------|-----------------|--------------|
| <b>Investment Managers' Fees:</b>      |                         |                 |              |
| Domestic Equity                        | \$23,252,255            | \$22,367        | 9.6          |
| International Equity                   | 21,219,715              | 33,618          | 15.8         |
| Fixed Income                           | 782,874                 | 285             | 3.6          |
| Alternative Investments                | 4,257,368               | 1,455           | 3.4          |
| Real Estate                            | 5,034,253               | 16,969          | 33.7         |
| <b>Total Investment Managers' Fees</b> | <b>\$54,546,465</b>     | <b>\$74,693</b> | <b>13.7</b>  |

**CHART H**

Broker commissions (July 1, 2001 through June 30, 2002)

| <b>Broker Name</b>                       | <b>Commission</b> | <b>Shares</b>        | <b>Commission per Share</b> |
|--|-------------------|----------------------|-----------------------------|
| <i>Domestic Equity Transactions</i>      |                   |                      |                             |
| Investment Technology Group Inc          | 939,887           | 50,550,926           | 0.019                       |
| Salomon Smith Barney Inc                 | 698,270           | 19,442,929           | 0.036                       |
| Jackson Securities                       | 576,244           | 10,297,798           | 0.056                       |
| Lehman Brothers Inc                      | 442,625           | 10,018,684           | 0.044                       |
| Capital Institutional Services           | 433,399           | 8,336,212            | 0.052                       |
| Goldman Sachs                            | 407,194           | 14,109,872           | 0.029                       |
| Instinet Corporation                     | 395,023           | 17,094,150           | 0.023                       |
| Merrill Lynch Professional Clearing Corp | 391,570           | 9,056,430            | 0.043                       |
| ABN AMRO Inc                             | 384,818           | 7,296,550            | 0.053                       |
| Credit Suisse First Boston Corporation   | 332,231           | 9,607,301            | 0.035                       |
| Other Domestic Brokers                   | 7,015,875         | 240,808,212          | 0.029                       |
| <b>Total Domestic Commissions</b>        | <b>12,017,136</b> | <b>396,619,064</b>   | <b>0.030</b>                |
| <i>International Equity Transactions</i> |                   |                      |                             |
| Merrill Lynch                            | 3,321,533         | 2,447,416,614        | 0.001                       |
| UBS Warburg                              | 1,966,688         | 258,760,800          | 0.008                       |
| Morgan Stanley                           | 1,759,127         | 102,735,248          | 0.017                       |
| Salomon Bros                             | 1,581,522         | 180,554,410          | 0.009                       |
| Goldman Sachs                            | 1,386,484         | 147,663,822          | 0.009                       |
| Credit Suisse First Boston               | 1,255,206         | 219,496,330          | 0.006                       |
| Lehman Brothers Inc                      | 1,022,595         | 81,405,651           | 0.013                       |
| J.P. Morgan Securities Ltd               | 920,466           | 343,419,786          | 0.003                       |
| Deutsche Banc                            | 850,229           | 185,357,913          | 0.005                       |
| HSBC Securities                          | 745,955           | 59,114,567           | 0.013                       |
| Other International Brokers              | 6,862,346         | 1,652,231,047        | 0.004                       |
| <b>Total International Commissions</b>   | <b>21,672,150</b> | <b>5,678,156,188</b> | <b>0.004</b>                |



## ALTERNATIVE INVESTMENTS

The Alternative Investments asset class invests in the private equity universe. These investments involve companies that are not publicly traded and normally require active involvement by the external equity managers hired by CalSTRS. The vast majority of these investments are made through limited partnership portfolios, which consist of pools of investments.

This fiscal year, CalSTRS made additional commitments of approximately \$395 million in this segment of the portfolio. Total commitments now amount to approximately \$9.0 billion. There are 113 partnerships and 12 co-investments in the Alternative Investment portfolio. At the end of the fiscal year, the total market value was \$4.3 billion, representing approximately 4.4 percent of the total CalSTRS portfolio. CalSTRS continues to increase its commitments in this area as a result of the allocation review completed at the end of June 1999. The Alternative Investment asset class has achieved annualized returns of -8.02, 11.97, and 17.44 percent, for the 1-, 3-, and 5-year periods respectively.

### *Credit Enhancement*

CalSTRS has a credit rating of AAA/Aaa/AAA by Standard and Poor's, Moody's Investors Service, and Fitch Inc. This rating is utilized by issuers of municipal debt in California to assist in the issuance of variable rate municipal bonds. CalSTRS enters into agreements with a number of issuers of tax-exempt debt to provide the payment of principal and interest in the event of a non-payment and/or marketing support in the capital markets. In return, CalSTRS earns fee income for these commitments. Most the transactions are supported by banks or bond insurers for repayment. As of June 30, 2002, the Credit Enhancement Program had commitments of approximately \$1.3 billion and fee income earned during the fiscal year was more than \$3.2 million.

## REAL ESTATE

CalSTRS portfolio of real estate assets is valued at \$5.0 billion. The real estate portfolio is comprised of 99 directly owned assets and investments in nine opportunity funds. During the last fiscal year six assets were acquired and nine assets were sold. Real estate assets are 5.2 percent of the total fund with a 6 percent allocation. The direct property portfolio is diversified as to property type and geographic location. The largest component of the direct property sector is office buildings, with the largest weighting in the western region of the United States. The CalSTRS' real estate portfolio has achieved gross annualized returns of 11.11, 11.34 and 14.89 percent, for the 1-, 3- and 5-year periods, respectively. CalSTRS' return exceeded the NCREIF benchmark by 4.77, 1.87 and 3.47 percent for each of the 1-, 3- and 5-year periods.

## EXTERNAL EQUITY MANAGEMENT

During 2002, the Public Equity portfolio, which is comprised of both internally and externally managed portfolios, continued to be an important investment vehicle to the fund. In fiscal year 2001–02, this segment of the portfolio accounted for about 61.1 percent (or \$59.1 million) of the total fund. Domestic Equity accounted for 39.2 percent of the total equity allocation, while International Equity accounted for the remaining 21.9 percent.

The External Equity portfolio is managed by 16 external domestic managers and 19 external international managers. Although the equity markets were extremely volatile, CalSTRS domestic active managers added value by outperforming their benchmark by 54.6 basis points; however, CalSTRS international active managers slightly underperformed their benchmark by 30 basis points.

## CORPORATE GOVERNANCE

During the 2001–02 fiscal year, CalSTRS voted on a variety of proxy issues including financial, corporate governance and social issues. More than 7,050 votes were cast on proxy issues of corporations whose shares were owned in the Investment Portfolio. These proxy issues were presented on approximately 2,700 companies. The overall number of proxy issues increased from 5,944 last year, but the number of mergers/acquisitions reviewed significantly decreased to 3 percent from just under 10 percent last year.

The major issues voted are summarized below:

**1. Election of Directors:** CalSTRS generally votes in favor of directors unless the proxy statement shows circumstances contrary to policy. Examples of such circumstances are: greater than 50 percent board representation by company executives, potential conflict of interest due to other directorships or employment, and classification of the company directors.

*Number Voted: 2,637*

*For: 2,201*

*Against: 436*

**2. Selection of Auditors/Accountants:** CalSTRS generally votes in favor of the independent auditors and accountants recommended by management.

*Number Voted: 1,583*

*For: 818*

*Against: 765*

**3. Compensation Plans:** (Stock Options, Incentive Stock Options, Employee Stock Purchase Plans, etc.) Corporations provide a variety of compensation plans to keep executives, employees and non-employee directors. A number of these plans provide for the issuance of long-term incentives to attract, reward and retain key employees. Compensation plans are evaluated based on CalSTRS Financial Responsibility Criteria.

*Number Voted: 981*

*For: 376*

*Against: 605*

**4. Approve Merger / Acquisition-Management:** CalSTRS generally votes in favor of the acquisition or merger of one company into another.

*Number Voted: 177*

*For: 172*

*Against: 5*

**5. Corporate Actions / Corporate Governance Issues:**

These are issues related to spin-offs, stock issuance, stock splits and incorporation. CalSTRS votes these proposals on a case-by-case basis.

*Number Voted: 249*

*For: 56*

*Against: 193*

**6. Other–Miscellaneous–Management:** CalSTRS

generally votes in favor of other miscellaneous business recommended by management, but issues are decided on a case-by-case basis.

*Number Voted: 402*

*For: 304*

*Against: 98*



## **CASH BALANCE BENEFIT PROGRAM**

The Cash Balance Benefit Program contributions have been invested into pooled funds from inception (February 1, 1997) through June 30, 2001. Sixty percent of the contributions have been allocated to the S&P 500 portfolio and 40 percent to the Government Index portfolio. Beginning July 1, 2002, Cash Balance Benefit Program contributions are invested in the Teachers' Retirement Fund excluding Private Equity (Alternative and Real Estate investments). The investment value of contributions as of June 30, 2002, is \$21.1 million. The rate of return for the Cash Balance Benefit Program for the fiscal year is -6.64 percent.

## **DEFINED BENEFIT SUPPLEMENT PROGRAM**

The Defined Benefit Supplement Program contributions are invested in the Teachers' Retirement Fund excluding Private Equity (Alternative and Real Estate investments). Contributions were first received in the DBS Program in January 2001. The investment value of those contributions as of June 30, 2002, is \$617.8 million. Since the inception of the DBS Program, the cumulative rate of return is -7.73 percent. The rate of return for the DBS Program for the fiscal year is -6.64 percent.





# Defined Benefit Program

## ACTUARY'S CERTIFICATION LETTER



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November 27, 2002

Teachers' Retirement Board  
California State Teachers' Retirement System

**Re: Valuation of the Defined Benefit Program**

Dear Members of the Board:

We have performed an actuarial valuation of the Defined Benefit Program of the California State Teachers' Retirement System as of June 30, 2001. In our opinion, the DB Program is an actuarially sound system based on the current actuarial assumptions. Our findings indicate the projected income stream from the contributions mandated by the Education Code will be sufficient to pay the Normal Costs and to amortize the Unfunded Actuarial Obligation over 29 years as of June 30, 2001. By comparison, the DB Program is not as well funded as it was in the previous years, due primarily to investment returns during the year being less than the long-term actuarial assumption of 8% per year.

Actuarial valuations are normally performed every two years, as of June 30 of each odd-numbered year. Special valuations were prepared as of June 30, 1998 and 2000.

In preparing the 2001 valuation, we relied upon the financial and membership data furnished by the System, and the Report of Independent Accountants prepared by PriceWaterhouseCoopers. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations.

Milliman did not prepare Schedules I and II, nor the summary of actuarial methods and assumptions in Schedule II of the Financial Section, nor the information included in this Actuarial Section of the 2002 Comprehensive Annual Financial Report. However, the actuarial information contained in Schedule I of the Financial Section and in this Actuarial Section was derived from our June 30, 2001 actuarial valuation report.

The Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the DB Program. The Board adopted all of the actuarial methods and assumptions used in the 2001 valuation.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the DB Program and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuation are appropriate for purposes of the valuation, are internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the DB Program. Nevertheless, the



Teachers' Retirement Board  
November 27, 2002  
Page 2

emerging costs of the DB Program will vary from those presented in this report to the extent that actual experience differs from that projected by the assumptions.

The actuarial valuation was prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Statement No. 25 of the Governmental Accounting Standards Board.

The undersigned is an independent actuary, a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

In conclusion, the DB Program of the California State Teachers' Retirement System is an actuarially sound system based on the current actuarial assumptions.

Respectfully submitted,

  
Mark C. Johnson, F.S.A., M.A.A.A., E.A.  
Principal and Consulting Actuary



## Defined Benefit Program

### SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

CalSTRS, through its consulting actuary, performs an experience study every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied when the consulting actuary performs an actuarial valuation to monitor the funding status of the Defined Benefit Program. The most recent experience study for the period 1995 through 1999 was completed as of June 30, 1999. The study was adopted by the Teachers' Retirement Board on February 3, 2000. The most recent actuarial valuation was completed as of June 30, 2001, and adopted by the Teachers' Retirement Board on May 2, 2002. The following summary and tables were prepared by the CalSTRS staff. All information is considered in the June 30, 2001, actuarial valuation.

Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate is 8.00 percent.
- Method used to value program assets for actuarial valuation purposes: Expected actuarial value adjusted for one-third of the difference between actual market value and expected actuarial value.
- Assumption for general wage increase is 4.25 percent of which 3.5 percent is due to inflation and .75 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the entry age normal actuarial cost method, with actuarial gains and losses amortized over a period that does not exceed 30 years.
- The extent to which benefits are expected to increase as a result of cost-of-living type adjustments is an annual 2 percent increase to the initial allowance beginning on September 1 following the first anniversary of the effective date of the allowance. Since 1972, this increase is applied to all eligible continuing allowances.

**Table 1 Post-retirement mortality table for sample ages**

| Age | Male                   | Female                 |
|-----|------------------------|------------------------|
|     | 1999 CalSTRS Retired-M | 1999 CalSTRS Retired-F |
| 50  | 0.19%                  | 0.12%                  |
| 55  | 0.32                   | 0.19                   |
| 60  | 0.56                   | 0.34                   |
| 65  | 1.02                   | 0.67                   |
| 70  | 1.80                   | 1.18                   |
| 75  | 2.85                   | 1.83                   |
| 80  | 5.02                   | 3.78                   |
| 85  | 9.42                   | 6.50                   |
| 90  | 14.75                  | 11.63                  |
| 95  | 23.36                  | 18.62                  |

**Table 2 Probabilities of retirement for sample ages**

| Age | Male  | Female |
|-----|-------|--------|
| 55  | 5.0%  | 6.0%   |
| 60  | 20.0  | 12.0   |
| 65  | 20.0  | 19.0   |
| 70  | 100.0 | 100.0  |

### Discussion of recent changes in:

**The nature of the program**—Since the last experience study as of June 30, 1999, program amendments have been made that have affected both the June 30, 2000 and the June 30, 2001 actuarial valuations. The program amendment effective January 1, 2000, is: Minimum Guarantee payable to certain benefit recipients with at least 20 years of creditable service, equal to \$15,000, increasing in \$500 increments for each additional year of service to \$20,000 at 30 or more years of credited service. The program amendments effective January 1, 2001, were:

- Final Compensation based upon the highest average consecutive 12-month period with 25 years of credited service.

- 25 percent of the 8 percent member contributions allocated to the new Defined Benefit Supplement Program.
- Longevity Bonus of an additional \$200, \$300, or \$400 per month in Defined Benefit Program benefits with 30, 31 or 32 or more years of credited service.
- An ad hoc minimum guarantee of up to 6 percent, based on the initial allowance plus the simple 2 percent benefit improvement, depending upon the year in which the benefit began. This ad hoc was not initially payable until July 1, 2001.

**Table 3 Probabilities of withdrawal from active service before age and service retirement for sample ages**

| Duration      | Entry Ages |       |       |       |
|---------------|------------|-------|-------|-------|
|               | 25–29      | 30–34 | 35–39 | 40+   |
| <b>Male</b>   |            |       |       |       |
| 1             | 12.5%      | 12.5% | 12.5% | 12.5% |
| 2             | 9.5        | 9.2   | 9.2   | 9.5   |
| 3             | 6.8        | 6.8   | 6.8   | 7.2   |
| 4             | 5.8        | 5.8   | 5.8   | 6.2   |
| 5             | 4.2        | 4.2   | 4.2   | 4.2   |
| 10            | 2.0        | 2.0   | 2.0   | 2.4   |
| 15            | 1.1        | 1.1   | 1.2   |       |
| 20            | 0.6        | 0.6   |       |       |
| 25            | 0.5        |       |       |       |
| <b>Female</b> |            |       |       |       |
| 1             | 10.0%      | 10.0% | 10.0% | 10.0% |
| 2             | 8.3        | 8.3   | 7.5   | 6.8   |
| 3             | 7.3        | 6.5   | 5.5   | 5.3   |
| 4             | 7.1        | 5.6   | 4.5   | 4.0   |
| 5             | 5.8        | 4.2   | 3.5   | 3.0   |
| 10            | 2.0        | 1.7   | 1.4   | 1.6   |
| 15            | 0.9        | 1.0   | 0.9   |       |
| 20            | 0.7        | 0.9   |       |       |
| 25            | 0.6        |       |       |       |

**Table 4 Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)**

| Duration | Entry Ages |       |       |       |       |      |
|----------|------------|-------|-------|-------|-------|------|
|          | Under 25   | 25–29 | 30–34 | 35–39 | 40–44 | 45 + |
| 1        | 5.7%       | 5.3%  | 5.1%  | 4.9%  | 4.9%  | 3.5% |
| 10       | 3.2        | 3.0   | 2.7   | 2.3   | 2.2   | 1.6  |
| 20       | 1.3        | 1.2   | 1.1   | 0.8   | 0.8   | 0.6  |
| 30       | 0.9        | 0.7   | 0.6   | 0.5   |       |      |

**Table 5 Economic assumptions**

|                             |       |
|-----------------------------|-------|
| Consumer Price Inflation    | 3.5%  |
| Investment Yield            | 8.00  |
| Wage Inflation              | 4.25  |
| Interest on Member Accounts | 6.00  |
| Growth in Active Membership | 0.00  |
| Administrative Expenses     | 0.00* |

\* Provided by gross investment return

**Actuarial assumptions**—The actuarial valuation utilizes various methods and two different types of assumptions: economic and demographic. Economic assumptions are related to the general economy and its impact on CalSTRS or to the operation of the membership. Demographic assumptions predict the future experience of the membership with respect to eligibility and benefits and are directly related to the specific experience of CalSTRS members.

**Economic assumptions:** The two major economic assumptions are investment return and wage growth and each is affected by the underlying assumed rate of inflation. Table 5 provides the economic actuarial assumptions for this program as reflected in the most recent actuarial valuation for the program (as of June 30, 2001).

**Demographic assumptions:** Tables 1–4 and 6–11 provide demographic assumption information for this program as reflected in the most recent actuarial valuation for the program (as of June 30, 2001).



**Table 6 Mortality assumptions**

| <b>Retired Members</b>       |                             |
|------------------------------|-----------------------------|
| Male                         | 1999 CalSTRS Retired-M      |
| Female                       | 1999 CalSTRS Retired-F      |
| <b>Active Members</b>        |                             |
| Male                         | 1999 CalSTRS Retired-M (-2) |
| Female                       | 1999 CalSTRS Retired-F (-2) |
| <b>Beneficiaries</b>         |                             |
| Male                         | 1999 CalSTRS Beneficiary-M  |
| Female                       | 1999 CalSTRS Beneficiary-F  |
| <b>Pre-1972 Disabilities</b> |                             |
| Male                         | 1951 GAM-M (-1)             |
| Female                       | 1951 GAM-M (-7)             |

**Table 7 Termination from disability due to death**

|               |   |
|---------------|---|
| <b>Male</b>   | 1994 GAM-M (Min. 2.5% with select rates in first 3 years) |
| <b>Female</b> | 1994 GAM-F (Min. 2.2% with select rates in first 3 years) |

**Table 8 Service retirement (sample ages)**

|               | <b>Benefits</b> |             |
|---------------|-----------------|-------------|
|               | <i>Pre-1999</i> | <i>1999</i> |
| <b>Male</b>   |                 |             |
| 55            | 5.8%            | 5.0%        |
| 60            | 25.0            | 20.0        |
| 65            | 20.0            | 20.0        |
| 70            | 100.0           | 100.0       |
| <b>Female</b> |                 |             |
| 55            | 7.0%            | 6.0%        |
| 60            | 22.0            | 12.0        |
| 65            | 18.0            | 19.0        |
| 70            | 100.0           | 100.0       |

**Table 9 Disability**

| <b>Rate of Disability (sample ages)</b> |    |                           |                      |
|---|----|---------------------------|----------------------|
| <b>Coverage A</b>                       |    |                           |                      |
| <b>Male</b>                             | 30 | 0.030%                    |                      |
|   | 40 | 0.081                     |                      |
|   | 50 | 0.159                     |                      |
| <b>Female</b>                           | 30 | 0.030%                    |                      |
|   | 40 | 0.090                     |                      |
|   | 50 | 0.219                     |                      |
| <b>Coverage B</b>                       |    |                           |                      |
| <b>Male</b>                             |    | <i>Entry Age Under 40</i> | <i>Entry Age 40+</i> |
|   |    |                           |                      |
|   | 30 | 0.030%                    |                      |
|   | 35 | 0.051                     |                      |
|   | 40 | 0.120                     |                      |
|   | 45 | 0.150                     | 0.196%               |
|   | 50 | 0.195                     | 0.288                |
|   | 55 | 0.270                     | 0.390                |
| <b>Female</b>                           | 30 | 0.030%                    |                      |
|   | 35 | 0.051                     |                      |
|   | 40 | 0.090                     |                      |
|   | 45 | 0.141                     | 0.231%               |
|   | 50 | 0.231                     | 0.360                |
|   | 55 | 0.318                     | 0.459                |

**Table 10 Withdrawal, all terminations**

Rates of termination by sample duration of membership and sample entry age

| Duration      | Sample Entry Ages |       |       |       |
|---------------|-------------------|-------|-------|-------|
|               | 25–29             | 30–34 | 35–39 | 40+   |
| <b>Male</b>   |                   |       |       |       |
| 1             | 12.5%             | 12.5% | 12.5% | 12.5% |
| 2             | 9.5               | 9.2   | 9.2   | 9.5   |
| 3             | 6.8               | 6.8   | 6.8   | 7.2   |
| 4             | 5.8               | 5.8   | 5.8   | 6.2   |
| 5             | 4.2               | 4.2   | 4.2   | 4.2   |
| 10            | 2.0               | 2.0   | 2.0   | 2.4   |
| 15            | 1.1               | 1.1   | 1.2   |       |
| 20            | 0.6               | 0.6   |       |       |
| 25            | 0.5               |       |       |       |
| <b>Female</b> |                   |       |       |       |
| 1             | 10.0%             | 10.0% | 10.0% | 10.0% |
| 2             | 8.3               | 8.3   | 7.5   | 6.8   |
| 3             | 7.3               | 6.5   | 5.5   | 5.3   |
| 4             | 7.1               | 5.6   | 4.5   | 4.0   |
| 5             | 5.8               | 4.2   | 3.5   | 3.0   |
| 10            | 2.0               | 1.7   | 1.4   | 1.6   |
| 15            | 0.9               | 1.0   | 0.9   |       |
| 20            | 0.7               | 0.9   |       |       |
| 25            | 0.6               |       |       |       |

**Probability of refund by sample durations of membership and sample entry ages**

| Duration      | Sample Entry Ages |       |       |      |
|---------------|-------------------|-------|-------|------|
|               | 25–29             | 30–34 | 35–39 | 40+  |
| <b>Male</b>   |                   |       |       |      |
| Under 5       | 100%              | 100%  | 100%  | 100% |
| 10            | 40                | 40    | 45    | 40   |
| 15            | 40                | 35    | 35    |      |
| 20            | 35                | 30    |       |      |
| 25            | 20                |       |       |      |
| <b>Female</b> |                   |       |       |      |
| Under 5       | 100%              | 100%  | 100%  | 100% |
| 10            | 25                | 30    | 30    | 25   |
| 15            | 20                | 30    | 20    |      |
| 20            | 20                | 20    |       |      |
| 25            | 20                |       |       |      |

**Table 11 Promotional salary increases (assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)**

| Duration | Sample Entry Ages (Unisex) |       |       |       |       |      |
|----------|----------------------------|-------|-------|-------|-------|------|
|          | Under 25                   | 25–29 | 30–34 | 35–39 | 40–44 | 45+  |
| 1        | 5.7%                       | 5.3%  | 5.1%  | 4.9%  | 4.9%  | 3.5% |
| 10       | 3.2                        | 3.0   | 2.7   | 2.3   | 2.2   | 1.6  |
| 20       | 1.3                        | 1.2   | 1.1   | 0.8   | 0.8   | 0.6  |
| 30       | 0.9                        | 0.7   | 0.6   | 0.5   |       |      |

### Actuarial Methods

Actuarial Cost Method      Entry Age Normal

Asset Valuation Method      Expected Value with  
one-third adjustment to  
Market Value

The asset smoothing method projects an Expected Value of Assets using the assumed rate of investment return, then one-third of the difference between the Expected Value and the Market Value is recognized in the Actuarial Value of Assets.

CalSTRS contracts for many actuarial services. The current contractor, Milliman USA, has been the program’s actuary since January 15, 2000.

The data displayed in Table 12 is as of June 30 of the specified year. Other information, specifically annual payroll amounts, reported in the financial section of this report will generally not be consistent. The reason for this is that the financial data reflects payroll for all individuals who were active during the year, while Table 12 only includes those individuals who are active as of June 30. It does not include those individuals who were active at some point during the year but not as of June 30.

Amounts provided in Table 13 represent the status of the population as of June 30 of the indicated year. The information provided in the Removed From Rolls and Rolls End of Year columns include the application of the annual post-retirement 2 percent not-compounded cost-of-living adjustment.

**Table 12 Schedule of active member valuation data**

| Date<br>(as of June 30) | Number  | Annual<br>Payroll | Annual<br>Average Pay | % Increase<br>In Average Pay |
|-------------------------|---------|-------------------|-----------------------|------------------------------|
| 1997                    | 364,000 | \$14,371,068,403  | \$39,481              | 2.3%                         |
| 1998                    | 385,530 | 15,725,658,541    | 40,790                | 3.3                          |
| 1999                    | 402,220 | 17,007,886,951    | 42,285                | 3.7                          |
| 2000                    | 420,530 | 18,224,271,726    | 43,336                | 2.5                          |
| 2001                    | 428,741 | 20,494,151,991    | 47,801                | 10.3                         |
| 2002                    | 442,208 | 21,731,775,317    | 49,144                | 3.2                          |

**Table 13 Schedule of retired members and beneficiaries added to and removed from rolls (\$ thousands)**

| Date (as of<br>June 30) | Added to Rolls |                      | Removed from Rolls |                      | Rolls-End of Year |                      | % Increase<br>in Annual<br>Allowances | Average<br>Annual<br>Allowances |
|-------------------------|----------------|----------------------|--------------------|----------------------|-------------------|----------------------|---------------------------------------|---------------------------------|
|                         | Number         | Annual<br>Allowances | Number             | Annual<br>Allowances | Number            | Annual<br>Allowances |                                       |                                 |
| 1997                    | 6,672          | \$163,744            | 4,717              | \$59,864             | 153,639           | \$2,781,406          | 6.1%                                  | \$18,104                        |
| 1998                    | 7,996          | 206,368              | 4,908              | 64,640               | 157,747           | 2,985,017            | 7.3                                   | 18,923                          |
| 1999                    | 7,874          | 236,923              | 5,105              | 69,463               | 161,457           | 3,220,227            | 7.9                                   | 19,945                          |
| 2000                    | 8,184          | 261,607              | 5,550              | 78,483               | 165,282           | 3,473,208            | 7.9                                   | 21,014                          |
| 2001                    | 9,513          | 369,689              | 5,694              | 92,039               | 170,972           | 4,006,345            | 15.3                                  | 23,433                          |
| 2002                    | 10,541         | 447,060              | 5,525              | 95,441               | 174,271           | 4,405,539            | 10.0                                  | 25,280                          |

The data provided for each year end in Table 13 is a snapshot of the population taken following year-end closing for the indicated period. It is likely adjustments will be made subsequent to this closing. No attempt is made to update the data in Table 13 for these adjustments.

Because of the potential for post-closing adjustments that are not updated in Table 13, and for post-retirement adjustments that are included in the individual accounts rather than separately maintained, any update of a prior end-of-year total using additions and deletions from the next year most likely will not equal the total provided for the next year.

An experience analysis was performed for the program in 1995 and again in 1999. As a result of the performance of

these studies, changes were made to the actuarial assumptions and to the funding methods. The following significant plan changes have taken place during the time depicted in Table 14. These program amendments include:

#### Effective January 1, 1999

- Increased age factor for members who retire after age 60
- Career factor for members who retire with more than 30 years of service
- Service Credit for unused sick leave

#### Effective January 1, 2000

- Minimum benefit payable to certain benefit recipients with at least 20 years of creditable service. Minimum

**Table 14 Solvency test (\$ millions)**

| *Valuation Date (as of June 30) | Aggregate Accrued Liabilities For      |                                       |  | Actuarial Value of Assets | Funding of Liabilities |        |       |
|---------------------------------|--|---------------------------------------|--|---------------------------|------------------------|--------|-------|
|                                 | (1)                                    | (2)                                   | (3)  |                           | (1)                    | (2)    | (3)   |
|                                 | Active Member Contributions On Deposit | Future Benefits to Benefit Recipients | Service Already Rendered by Active Members |                           |                        |        |       |
| 1995                            | \$14,478                               | \$25,416                              | \$23,497                                   | \$55,207                  | 100.0%                 | 100.0% | 65.2% |
| 1997                            | 17,041                                 | 29,127                                | 23,684                                     | 67,980                    | 100.0                  | 100.0  | 92.1  |
| 1998                            | 18,451                                 | 31,158                                | 24,625                                     | 77,290                    | 100.0                  | 100.0  | 112.4 |
| 1999 (a)                        | 19,940                                 | 33,019                                | 33,390                                     | 90,001                    | 100.0                  | 100.0  | 110.9 |
| 2000                            | 21,337                                 | 36,238                                | 35,549                                     | 102,225                   | 100.0                  | 100.0  | 125.6 |
| 2001                            | 22,661                                 | 41,513                                | 45,707                                     | 107,654                   | 100.0                  | 100.0  | 95.1  |

\*No actuarial report is prepared in even-numbered years, except for the June 30, 1998 and June 30, 2000 reports. No estimation using actuarial methodology is made in years between valuations.

(a) Effective January 1, 1999, program changed to increase retirement multiplier and add career factor and service credit for unused sick leave.

(b) Effective January 1, 2001, program changed to provide one-year final compensation with 25 years of service, Longevity Bonus with 30 or more years of service, and an ad hoc improvement of up to 6 percent monthly, depending upon benefit effective date.

benefit is equal to \$15,000 with 20 years of service increasing in \$500 increments for each additional year of service to \$20,000 if the member had 30 or more years of credited service.

**Effective January 1, 2001**

- Final compensation based upon the highest average consecutive 12-month period with 25 years of credited service
- 25 percent of the 8 percent member contributions to the Defined Benefit Program allocated to the new Defined Benefit Supplement Program
- Longevity Bonus of an additional \$200, \$300 or \$400 per month in Defined Benefit Program benefits with 30, 31 or 32 or more years of credited service.

The most recent actuarial valuation of the system (as of June 30, 2001) determined there is an unfunded actuarial obligation for this program. The prior actuarial valuation (as of June 30, 2000) indicated there was no unfunded actuarial obligation.

With the exception of the actuarial valuations performed as of June 30, 1998, and June 30, 2000, actuarial

valuations are performed every two years in odd-numbered years to analyze the sufficiency of the statutory contributions to meet the current and future obligations of the program. By using the actuarial methods and assumptions adopted by the Teachers’ Retirement Board, the actuarial valuation provides the best estimate of the program’s long-term financing.

Comparing the unfunded actuarial obligation as of two valuation dates does not provide enough information to determine if there were actuarial gains or losses. The correct comparison is between the unfunded actuarial obligation on the valuation date and the expected unfunded actuarial obligation projected from the prior valuation date using the actuarial assumptions in effect for the period of comparison.

Table 15 shows the actuarial obligation and the elements to project that figure forward: the normal cost less benefit payments, plus a charge for interest at the assumed rate. In addition, the table shows actuarial gains, in parentheses, and losses by individual component.

Actuarial gains reduce the unfunded actuarial obligation as of the valuation date, and actuarial losses increase the

**Table 15 Analysis of financial experience (gains and losses in unfunded actuarial obligation resulting from differences between assumed and actual experience) (\$ billions)**

|  | Actuarial Valuation as of June 30 |                 |
|--|-----------------------------------|-----------------|
|  | 2001                              | 2000            |
| Actuarial Obligation at June 30:                   | \$93,124 (2000)                   | \$86,349 (1999) |
| 2000 Benefits Increase                             | 5,606                             |                 |
| Normal Cost  | 3,006                             | 2,692           |
| Benefit Payments                                   | (3,842)                           | (3,515)         |
| Expected Interest                                  | 7,985                             | 6,983           |
| Expected Actuarial Obligation at June 30:          | 105,879                           | 92,509          |
| Expected Actuarial Value of Assets at June 30:     | 114,075                           | 100,659         |
| Expected Unfunded Actuarial Obligation at June 30: | (8,196)                           | (8,150)         |
| Actuarial (Gains) & Losses                         |                                   |                 |
| Change in Asset Method                             |                                   |                 |
| Change in Actuarial Assumptions                    |                                   |                 |
| Investment Return Assumption                       | 6,421                             | (1,566)         |
| Demographic Assumptions                            | 3,752                             | 260             |
| Net Change Other Sources                           | 250                               | 355             |
| Total Actuarial (Gains) & Losses                   | 10,423                            | (951)           |
| Unfunded Actuarial Obligation at June 30:          | 2,227                             | (9,101)         |

unfunded actuarial obligation. Most actuarial gains and losses are a result of short-term fluctuations in experience or changes in actuarial assumptions. Because of the long-term nature of actuarial assumptions, future patterns of emerging experience may offset these short-term fluctuations.

### ***Independent Actuarial Review***

Actuarial services for the California State Teachers' Retirement System are provided under contract by a qualified independent actuarial firm, with additional review provided by the staff actuary.

The work performed for CalSTRS by the independent actuarial firm may be reviewed by the Bureau of State Audits, at the discretion of the Teachers' Retirement

Board. Also, through the competitive bid process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

The current actuarial consultant was retained on January 15, 2000, as a result of the competitive bid process.

## **SUMMARY OF DEFINED BENEFIT PROGRAM PROVISIONS**

*(The following summary and tables were prepared by the CalSTRS staff. All information is considered in the June 30, 2001, actuarial valuation.)*

### ***Normal Retirement***

#### **Eligibility Requirement**

Age 60 with five years of credited service.

#### **Allowance**

2 percent of final compensation for each year of credited service.

### ***Early Retirement***

#### **Eligibility Requirement**

Age 55 with five years of credited service, or age 50 with 30 years of credited service.

#### **Benefit Reduction**

A  $\frac{1}{2}$  percent reduction in the normal retirement allowance for each full month or partial month the member is younger than age 60, plus a reduction of  $\frac{1}{4}$  percent for each full month or partial month the member is younger than age 55.

### ***Late Retirement***

#### **Allowance**

Members continue to earn additional service credit after age 60. The 2 percent age factor increases by 0.033 percent for each quarter year of age that the member is over age 60, up to a maximum of 2.4 percent.

### ***Deferred Retirement***

#### **Allowance**

Any time after satisfying the minimum service requirement, a member may cease active service, leave the accumulated contributions on deposit, and later retire upon attaining the minimum age requirement.

### ***Allowance Factors***

#### **Credited Service**

For each year of membership, credited service is granted based on the ratio of salary earned to full-time salary earnable for one position.

#### **Final Compensation**

Average salary earnable for the highest three consecutive years of credited service for one position. For members with 25 years of service, the calculation is based on the highest average compensation earnable in a consecutive 12-month period.

#### **Sick Leave Service Credit**

Credited service is granted for unused sick leave at the time of retirement. Sick Leave Service Credit cannot be used for eligibility for One-Year Final Compensation, the Career Bonus nor the Longevity Bonus.

#### **Career Factor**

If a member has thirty years of credited service, the age factor is increased by 0.2 percent. However, the maximum age factor is 2.4 percent.

#### **Longevity Bonus**

For members attaining 30 years of service by January 1, 2011, a longevity bonus of \$200 per month is added to the unmodified allowance. The bonus is increased to \$300 per month with 31 years of service, and \$400 per month with 32 or more years of service.

### ***Post-Retirement Benefit Adjustment***

#### **Benefit Improvement Factor**

2 percent simple increase on September 1 following the first anniversary of the effective date of the allowance, applied to all continuing allowances.

#### **IRC Section 415**

Benefits are subject to limits imposed under Internal Revenue Code Section 415. However, no limits are imposed in the valuation of the Defined Benefit Program in order to



address the potential pay-as-you-go funding needs of the Teachers' Replacement Benefits Program Fund.

### ***Disability Allowance – Coverage A***

#### **Eligibility Requirement**

Member has five years of credited California service and has not attained age 60.

#### **Allowance**

50 percent of final compensation

#### **or**

5 percent of final compensation for each year of service credit if over age 45 with less than 10 years of service credit.

#### **Children's Benefit**

10 percent for each eligible dependent child, up to a maximum of 40 percent of final compensation. The increment for each eligible child continues until the child marries or attains age 22. The provision that, beginning in 2002, children not registered as full-time students will retain eligibility only up to age 18 was repealed.

#### **Offsets**

Allowance, including children's increment, is reduced by disability benefits payable under Social Security, Workers' Compensation and employer-paid income protection plan.

### ***Disability Allowance – Coverage B***

#### **Eligibility Requirement**

Member has five years of credited California service.

#### **Allowance**

50 percent of final compensation, regardless of age and service credit.

#### **Children's Benefit**

10 percent for each eligible child up to four children, for a maximum of 40 percent of final compensation. The increment for each child continues until the child attains age 21, regardless of student, marital or employment status.

#### **Offsets**

The member's allowance is reduced by disability benefits payable under Workers' Compensation.

### ***Death Before Retirement – Coverage A***

#### **Eligibility Requirement**

One or more years of service credit for active members or members receiving a disability allowance.

#### **Lump-Sum Payment**

\$6,010 lump sum to the designated beneficiary. If there are no surviving spouse or eligible children, the contributions and interest are paid to the designated beneficiary.

#### **Allowance**

The surviving spouse with eligible children will receive a family benefit of 40 percent of final compensation for as long as there is at least one eligible child. An additional 10 percent of final compensation is payable for each eligible child up to a maximum benefit of 90 percent.

If there is no surviving spouse, an allowance of 10 percent of final compensation is payable to eligible children up to a maximum benefit of 50 percent.

When there are no eligible children, the spouse may elect to receive one half of a 50 percent joint and survivor allowance projected to age 60 or take a lump-sum payment of the remaining contributions and interest.

### ***Death Before Retirement – Coverage B***

#### **Eligibility**

One or more years of service credit for active members.

#### **Lump-Sum Payment**

\$24,040 lump sum to the designated beneficiary. If there is no surviving spouse, the contributions and interest are paid to the designated beneficiary.

#### **Allowance**

A lump-sum payment of the contributions and interest.

**or**

One half of a 50 percent joint and survivor allowance, beginning on the member's 60th birthday or immediately with a reduction based on the member and spouse's age at the time the benefit begins.

If the surviving spouse elects a monthly allowance, each eligible child would receive 10 percent of the member's final compensation, with a maximum benefit of 50 percent.

### ***Death After Retirement***

#### **Lump-Sum Payment**

\$6,010 lump sum to the designated beneficiary.

#### **Annuity Form**

If the retired member had elected one of the joint and survivor options, the retirement allowance would be modified in accordance with the option selected.

If no option had been elected, payment of the unpaid contributions and interest, if any, remaining in the member's account will be made to the deceased member's estate.

### ***Termination from CalSTRS***

#### **Refund**

Refund of the member's contributions with interest as credited to the member's account to date of withdrawal. A refund terminates membership and all rights to future benefits from the system.

#### **Re-entry After Refund**

Former members who re-enter the system may redeposit all amounts previously refunded plus regular interest. The member must earn one year of credited service after re-entry before becoming eligible for system benefits.

### ***Funding***

#### **Member Contribution**

Eight percent of creditable compensation. Two percent of creditable compensation is directed to the Defined Benefit

Supplement Program through December 31, 2010, while six percent of creditable compensation remains with the Defined Benefit Program.

#### **Employers Contribution**

Eight percent of the total creditable compensation on which member contributions are based. In addition, funding for the Teachers' Health Benefits Fund is directed as needed from the employer contributions on a pay-as-you-go basis.

#### **plus**

0.25 percent of the total creditable compensation on which members' contributions are based to pay costs for unused sick leave service credit.

#### **State Contribution**

The state pays 1.975 percent of the total creditable compensation of the immediately preceding calendar year upon which members' contributions are based, calculated annually on October 1 and paid in four equal quarterly payments. Used to fund certain benefit enhancements effective January 1, 1999.

#### **plus**

Up to 1.505 percent of the total creditable compensation of the immediately preceding calendar year upon which members' contributions are based, calculated annually on October 1 and paid in four equal quarterly payments. This contribution is made if there is an unfunded obligation or normal cost deficit for benefits in effect on July 1, 1990.



## **CHANGES IN DEFINED BENEFIT PROGRAM PROVISIONS**

Since the last annual financial report, program amendments have been made that would affect the next actuarial valuation. The amendments described below were effective January 1, 2002, and, therefore, not considered for the June 30, 2001, actuarial valuation.

### ***Family Allowance***

The education requirement under Coverage A was repealed for a dependent child between the ages of 18 and 22.

## **SUMMARY OF DEFINED BENEFIT SUPPLEMENT PROGRAM PROVISIONS**

### ***Membership***

#### **Eligibility Requirement**

All members of the Defined Benefit Program who perform creditable service and earn creditable compensation after December 31, 2000, have a Defined Benefit Supplement account.

### ***Account Balance***

#### **Account Balance**

Nominal accounts are established for the purpose of determining DBS benefits payable to the member. Accounts are credited with contributions, interest at the minimum interest rate, and, if applicable, additional earnings credits.

#### **Contributions**

One-quarter of the 8 percent of member contributions on creditable compensation is allocated to the member's DBS account through December 31, 2010.

#### **Minimum Interest Rate**

Annual rate determined for the plan year by the Teachers' Retirement Board in accordance with federal laws and regulations. The minimum interest rate is equal to the average of the yields on 30-year Treasuries for the twelve months ending in February preceding the beginning of the

plan year, rounded to the next highest 0.25 percent. The minimum interest rate is not less than the rate at which interest is credited under the Defined Benefit Program.

### ***Additional Earnings Credit***

Annual rate determined for the plan year by the Teachers' Retirement Board based on the actual earnings during the plan year but only to the extent the earnings are sufficient to credit the minimum interest rate and provide any additions to the gain and loss reserve deemed warranted by the board.

### ***Normal Retirement***

#### **Eligibility Requirement**

Receipt of a corresponding benefit under the Defined Benefit Program.

#### **Benefit**

The account balance at the benefit effective date subject to limits imposed under Internal Revenue Code Section 415.

#### **Form of Payment**

The normal form of payment is a lump-sum distribution. Annuity options are available if the account balance is at least \$3,500.

### ***Early Retirement***

#### **Eligibility Requirement**

Same as Normal Retirement.

#### **Benefit and Form of Payment**

Same as Normal Retirement.

### ***Late Retirement***

#### **Benefit and Form of Payment**

Same as Normal Retirement.

Contributions and earnings may continue to be credited to the account balance.

### ***Deferred Retirement***

#### **Benefit**

A member must receive a DBS benefit when the corresponding benefit is received under the Defined Benefit Program.

### ***Disability Benefit***

#### **Eligibility Requirement**

Receipt of a corresponding benefit under the DB Program.

#### **Benefit**

The account balance at the date the disability benefit becomes payable.

#### **Form of Payment**

Same as Normal Retirement. An annuity benefit is discontinued upon termination of the corresponding DB benefit.

### ***Death Before Retirement***

#### **Eligibility Requirement**

Deceased member has an account balance.

#### **Benefit**

The account balance at the date of death payable to the designated beneficiary.

#### **Form of Payment**

Similar to Normal Retirement.

### ***Death After Retirement***

#### **Eligibility Requirement**

The deceased member was receiving an annuity.

#### **Benefit**

According to the terms of the annuity elected by the member.

### ***Termination from the Program***

#### **Eligibility Requirement**

Termination of all CalSTRS-covered employment.

#### **Benefit and Form of Payment**

Lump-sum distribution of the account balance as of the date of distribution. The benefit is payable one year from the termination of creditable service.



# Cash Balance Benefit Program

## ACTUARY'S CERTIFICATION LETTER



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November 27, 2002

Teachers' Retirement Board  
California State Teachers' Retirement System

**Re: Valuation of the Cash Balance Benefit Program**

Dear Members of the Board:

We have performed an actuarial valuation of the Cash Balance Benefit Program of the California State Teachers' Retirement System as of June 30, 2001. Our findings indicate the projected income stream from the contributions will be sufficient to pay the Normal Costs. However, the CBB Program had an Unfunded Actuarial Obligation of 1,170,000 as of June 30, 2001, which will be amortized in the future by earnings in excess of the Minimum Interest Rate or supplemental employer contributions.

Actuarial valuations are performed as of June 30 of each year.

In preparing the 2001 valuation, we relied upon the financial and membership data furnished by the System. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations.

Milliman did not prepare Schedules I and II, nor the summary of actuarial methods and assumptions in Schedule II of the Financial Section, nor the information included in this Actuarial Section of the 2002 Comprehensive Annual Financial Report. However, the actuarial information contained in Schedule I of the Financial Section and in this Actuarial Section was derived from our June 30, 2001 actuarial valuation report.

The Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the CBB Program. The Board adopted all of the actuarial methods and assumptions used in the 2001 valuation.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the CBB Program and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuation are appropriate for purposes of the valuation, are internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the CBB Program. Nevertheless, the emerging costs of the CBB Program will vary from those presented in this report to the extent that actual experience differs from that projected by the assumptions.

The actuarial valuation was prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable



Teachers' Retirement Board  
November 27, 2002  
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Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Statement No. 25 of the Governmental Accounting Standards Board.

The undersigned is an independent actuary, a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

In conclusion, the CBB Program of the California State Teachers' Retirement System is an actuarially sound system based on the current actuarial assumptions.

Respectfully submitted,

Mark G. Johnson, F.S.A., M.A.A.A., E.A.  
Principal and Consulting Actuary



## Cash Balance Benefit Program

### SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

CalSTRS, through its consulting actuary, will perform an experience study at least every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every year when the consulting actuary performs an actuarial valuation to monitor the funding status of the Cash Balance Benefit Program. The most recent actuarial valuation was completed as of June 30, 2001, and adopted by the Teachers' Retirement Board May 2, 2002. The following summary and tables were prepared by CalSTRS staff. All information is considered in the June 30, 2001, actuarial valuation.

The Cash Balance Benefit Program was established July 1, 1996. The first experience study of the program was completed January 21, 2000. The experience study was adopted by the Teachers' Retirement Board on February 3 2000, and used to complete the latest actuarial valuation. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate is 8.00 percent.
- Method used to value plan assets for actuarial valuation purposes: Fair market value.
- Assumption for general wage increase is 4.25 percent, of which 3.5 percent is due to inflation and .75 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the traditional unit credit cost method.
- The Cash Balance Benefit Program does not provide cost-of-living adjustments for benefit recipients.

**Table 1 Post-retirement mortality table for sample ages**

| Age | Male                   | Female                 |
|-----|------------------------|------------------------|
|     | 1999 CalSTRS Retired-M | 1999 CalSTRS Retired-F |
| 50  | 0.19%                  | 0.12%                  |
| 55  | 0.32                   | 0.19                   |
| 60  | 0.56                   | 0.34                   |
| 65  | 1.02                   | 0.67                   |
| 70  | 1.80                   | 1.18                   |
| 75  | 2.85                   | 1.83                   |
| 80  | 5.02                   | 3.78                   |
| 85  | 9.42                   | 6.50                   |
| 90  | 14.75                  | 11.63                  |
| 95  | 23.36                  | 18.62                  |

**Table 2 Probabilities of retirement for sample ages**

| Age | Male  | Female |
|-----|-------|--------|
| 55  | 5.0%  | 6.0%   |
| 60  | 20.0  | 12.0   |
| 65  | 20.0  | 19.0   |
| 70  | 100.0 | 100.0  |

### Discussion of recent changes in:

**The nature of the program**—The Cash Balance Benefit Program is a relatively new program, established July 1, 1996. All provisions of the program were considered when completing the most recent actuarial valuation.

**Actuarial assumptions**—The following assumptions were used to complete the valuation for this program.

Neither the economic nor the demographic assumptions for the actuarial valuation as of June 30, 2001, affected the unfunded actuarial obligation. Those assumptions for this program will have minimal impact under the traditional unit credit cost method or only have significance when participants elect to annuitize the account balance. Under the program, a participant must have at least \$3,500 in his or her account to elect to annuitize the account balance.

**Table 3 Probabilities of withdrawal from active service before age and service retirement for sample ages**

| Duration       | Entry Ages |       |       |       |       |
|----------------|------------|-------|-------|-------|-------|
|                | Under 25   | 25–29 | 30–34 | 35–39 | 40+   |
| <b>Males</b>   |            |       |       |       |       |
| 1              | 12.5%      | 12.5% | 12.5% | 12.5% | 12.5% |
| 2              | 9.5        | 9.5   | 9.2   | 9.2   | 9.5   |
| 3              | 7.7        | 6.8   | 6.8   | 6.8   | 7.2   |
| 4              | 5.8        | 5.8   | 5.8   | 5.8   | 6.2   |
| 5              | 5.0        | 4.2   | 4.2   | 4.2   | 4.2   |
| 10             | 2.0        | 2.0   | 2.0   | 2.0   | 2.4   |
| 15             | 1.1        | 1.1   | 1.1   | 1.2   |       |
| 20             | 0.6        | 0.6   | 0.6   |       |       |
| 25             | 0.5        | 0.5   |       |       |       |
| 30             | 0.3        |       |       |       |       |
| 35             | 0.3        |       |       |       |       |
| 40             | 0.3        |       |       |       |       |
| <b>Females</b> |            |       |       |       |       |
| 1              | 10.0%      | 10.0% | 10.0% | 10.0% | 10.0% |
| 2              | 8.3        | 8.3   | 8.3   | 7.5   | 6.8   |
| 3              | 7.7        | 7.3   | 6.5   | 5.5   | 5.3   |
| 4              | 7.1        | 7.1   | 5.6   | 4.5   | 4.0   |
| 5              | 5.5        | 5.8   | 4.2   | 3.5   | 3.0   |
| 10             | 2.3        | 2.0   | 1.7   | 1.4   | 1.6   |
| 15             | 1.1        | 0.9   | 1.0   | 0.9   |       |
| 20             | 0.6        | 0.7   | 0.9   |       |       |
| 25             | 0.6        | 0.6   |       |       |       |
| 30             | 0.3        |       |       |       |       |
| 35             | 0.3        |       |       |       |       |
| 40             | 0.3        |       |       |       |       |

## ACTUARIAL METHODS

Actuarial Cost Method      Traditional Unit Credit

Asset Valuation Method      Fair Market Value

The actuarial methods used for the program’s actuarial valuation as of June 30, 2001, result in an unfunded actuarial obligation of \$1,170,000.

CalSTRS contracts for many actuarial services. The current contractor, Milliman USA, has been CalSTRS’ actuary since January 15, 2000.

There are no other specific assumptions that have a material impact on valuation results for this program.

## INDEPENDENT ACTUARIAL REVIEW

Actuarial services for the California State Teachers’ Retirement System are provided under contract by a qualified independent actuarial firm, with additional review provided by the staff actuary.

The work performed for CalSTRS by the independent actuarial firm may be reviewed by the Bureau of State Audits at the discretion of the Teachers’ Retirement Board. Also, through the competitive bid process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm’s work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

The current actuarial consultant was retained on January 15, 2000, as a result of the competitive bid process.



**Table 4 Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)**

| Duration | Entry Ages |       |       |       |       |      |
|----------|------------|-------|-------|-------|-------|------|
|          | Under 25   | 25–29 | 30–34 | 35–39 | 40–44 | 45 + |
| 1        | 6.1%       | 5.8%  | 5.5%  | 5.4%  | 5.4%  | 4.0% |
| 2        | 5.6        | 5.1   | 4.9   | 4.7   | 4.7   | 3.3  |
| 3        | 5.5        | 5.0   | 4.7   | 4.6   | 4.6   | 3.0  |
| 4        | 5.5        | 4.8   | 4.6   | 4.4   | 4.4   | 2.9  |
| 5        | 5.5        | 4.8   | 4.5   | 3.8   | 3.8   | 2.6  |
| 10       | 3.2        | 3.0   | 2.7   | 2.3   | 2.2   | 1.6  |
| 15       | 1.5        | 1.5   | 1.4   | 1.1   | 1.1   | 0.8  |
| 20       | 1.2        | 1.1   | 1.1   | 0.7   | 0.7   | 0.5  |
| 25       | 1.1        | 1.0   | 0.9   | 0.5   | 0.6   |      |
| 30       | 0.9        | 0.7   | 0.6   | 0.4   |       |      |
| 35       | 0.7        | 0.7   | 0.5   |       |       |      |
| 40       | 0.8        | 0.7   |       |       |       |      |
| 45       | 0.8        |       |       |       |       |      |

**Table 5 Economic assumptions**

|                             |      |
|-----------------------------|------|
| Consumer Price Inflation    | 3.5% |
| Investment Yield            | 8.00 |
| Wage Inflation              | 4.25 |
| Interest on Member Accounts | 8.00 |

**Table 6 Mortality assumptions**

| Retired Members |                             |
|-----------------|-----------------------------|
| Male            | 1999 CalSTRS Retired-M      |
| Female          | 1999 CalSTRS Retired-F      |
| Active Members  |                             |
| Male            | 1999 CalSTRS Retired-M (-2) |
| Female          | 1999 CalSTRS Retired-F (-2) |
| Beneficiaries   |                             |
| Male            | 1999 CalSTRS Beneficiary-M  |
| Female          | 1999 CalSTRS Beneficiary-F  |

**Table 7 Termination from disability**

|               |   |
|---------------|---|
| <b>Male</b>   | 1994 GAM-M (Min. 2.5% with select rates in first 3 years) |
| <b>Female</b> | 1994 GAM-F (Min. 2.2% with select rates in first 3 years) |

**Table 8 Service retirement (sample ages)**

| Male   |       |
|--------|-------|
| 55     | 5.0%  |
| 60     | 20.0  |
| 65     | 20.0  |
| 70     | 100.0 |
| Female |       |
| 55     | 6.0%  |
| 60     | 12.0  |
| 65     | 19.0  |
| 70     | 100.0 |

**Table 9 Disability rates (sample ages)**

|               | Entry Age Under 40 |       | Entry Age 40+ |        |
|---------------|--------------------|-------|---------------|--------|
|               | 25                 | 30    | 35            | 40     |
| <b>Male</b>   | 0.021%             | 0.030 | 0.051         | 0.120  |
|               |                    |       | 0.150         | 0.196% |
|               |                    |       | 0.195         | 0.288  |
|               |                    |       | 0.270         | 0.390  |
| <b>Female</b> | 0.030%             | 0.030 | 0.051         | 0.090  |
|               |                    |       | 0.141         | 0.231% |
|               |                    |       | 0.231         | 0.360  |
|               |                    |       | 0.318         | 0.459  |

**Table 10 Withdrawal rates (rates of termination by sample durations of membership and sample entry ages.)**

| Duration      | Sample Entry Ages |       |       |       |       |
|---------------|-------------------|-------|-------|-------|-------|
|               | Under 25          | 25–29 | 30–34 | 35–39 | 40+   |
| <b>Male</b>   |                   |       |       |       |       |
| 1             | 12.5%             | 12.5% | 12.5% | 12.5% | 12.5% |
| 2             | 9.5               | 9.5   | 9.2   | 9.2   | 9.5   |
| 3             | 7.7               | 6.8   | 6.8   | 6.8   | 7.2   |
| 4             | 5.8               | 5.8   | 5.8   | 5.8   | 6.2   |
| 5             | 5.0               | 4.2   | 4.2   | 4.2   | 4.2   |
| 10            | 2.0               | 2.0   | 2.0   | 2.0   | 2.4   |
| 15            | 1.1               | 1.1   | 1.1   | 1.2   |       |
| 20            | 0.6               | 0.6   | 0.6   |       |       |
| 25            | 0.5               | 0.5   |       |       |       |
| <b>Female</b> |                   |       |       |       |       |
| 1             | 10.0%             | 10.0% | 10.0% | 10.0% | 10.0% |
| 2             | 8.3               | 8.3   | 8.3   | 7.5   | 6.8   |
| 3             | 7.7               | 7.3   | 6.5   | 5.5   | 5.3   |
| 4             | 7.1               | 7.1   | 5.6   | 4.5   | 4.0   |
| 5             | 5.5               | 5.8   | 4.2   | 3.5   | 3.0   |
| 10            | 2.3               | 2.0   | 1.7   | 1.4   | 1.6   |
| 15            | 1.1               | 0.9   | 1.0   | 0.9   |       |
| 20            | 0.6               | 0.7   | 0.9   |       |       |
| 25            | 0.6               | 0.6   |       |       |       |

**Table 11 Promotional salary increases (assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)**

| Duration | Sample Entry Ages (Unisex) |         |         |         |         |      |
|----------|----------------------------|---------|---------|---------|---------|------|
|          | Under 25                   | 25 – 29 | 30 – 34 | 35 – 39 | 40 – 44 | 45+  |
| 1        | 6.1%                       | 5.8%    | 5.5%    | 5.4%    | 5.4%    | 4.0% |
| 10       | 3.2                        | 3.0     | 2.7     | 2.3     | 2.2     | 1.6  |
| 20       | 1.2                        | 1.1     | 1.1     | 0.7     | 0.7     | 0.5  |
| 30       | 0.9                        | 0.7     | 0.6     | 0.4     |         |      |

## SUMMARY OF CASH BALANCE BENEFIT PROGRAM PROVISIONS

*(The following tables and summary were prepared by CalSTRS staff. All information is considered in the June 30, 2001, actuarial valuation.)*

### Membership

#### Eligibility Requirement

Membership if employed at less than 50 percent of a full-time position for a California school district, community college district or county office of education that has elected to offer the Cash Balance Benefit Program.

#### Participant

An eligible employee with creditable service subject to coverage who has contributions credited in the program or is receiving an annuity from the program.

### Account Balance

#### Account Balance

Nominal accounts established for the purpose of determining benefits payable to the participant. Accounts are credited with contributions, minimum interest rate and additional earnings credits.

#### Contributions

Generally, participant contributions are 4 percent of salary and employer contributions are 4 percent of salary.

Rules for contribution rates may differ for participants covered by a collective bargaining agreement, but the sum of the participant and employer contributions must equal or exceed 8 percent of salary, and in no event can the employer contribution rate be less than 4 percent of salary.

The Teachers' Retirement Board may adjust employer contributions for a fixed number of years, but the adjustment shall not exceed 0.25 percent of salaries in any plan year.

**Table 12 Schedule of participant valuation data**

| Date<br>(as of June 30) | Number | Annual<br>Payroll | Annual<br>Average Pay | % Increase<br>In Average Pay |
|-------------------------|--------|-------------------|-----------------------|------------------------------|
| 1997                    | 495*   | \$2,109,000       | \$4,261               | na                           |
| 1998                    | 3,505  | 18,832,000        | 5,375                 | 26.1%                        |
| 1999                    | 6,412  | 50,426,000        | 7,864                 | 46.3                         |
| 2000                    | 7,966  | 70,605,000        | 8,863                 | 12.7                         |
| 2001                    | 11,274 | 97,921,000        | 8,686                 | (2.0)                        |

\*Active participants with account balances

**Table 13 Schedule of retired participants and beneficiaries added to and removed from rolls**

| Date (as of<br>June 30) | Added to Rolls |                      | Removed from Rolls |                      | Rolls-End of Year |                      | % Increase<br>in Annual<br>Allowances | Average<br>Annual<br>Allowances |
|-------------------------|----------------|----------------------|--------------------|----------------------|-------------------|----------------------|---------------------------------------|---------------------------------|
|                         | Number         | Annual<br>Allowances | Number             | Annual<br>Allowances | Number            | Annual<br>Allowances |                                       |                                 |
| 1997                    | 0              | \$0                  | 0                  | \$0                  | 0                 | \$0                  | na                                    | na                              |
| 1998                    | 0              | 0                    | 0                  | 0                    | 0                 | 0                    | na                                    | na                              |
| 1999                    | 0              | 0                    | 0                  | 0                    | 0                 | 0                    | na                                    | na                              |
| 2000                    | 0              | 0                    | 0                  | 0                    | 0                 | 0                    | na                                    | na                              |
| 2001                    | 0              | 0                    | 0                  | 0                    | 0                 | 0                    | na                                    | na                              |

### Minimum Interest Rate

Annual rate determined for the plan year by the Teachers' Retirement Board in accordance with federal laws and regulations. The minimum interest rate is equal to the average of the yields on 30-year Treasuries for the twelve months ending in February preceding the beginning of the plan year, rounded to the next highest 0.25 percent.

### Additional Earnings Credit

Annual rate determined for the plan year by the Teachers' Retirement Board based on the actual earnings during the plan year, but only to the extent the earnings are sufficient to credit the minimum interest rate and provide any additions to the gain and loss reserve deemed warranted by the board.

### Normal Retirement

#### Eligibility Requirement

Age 60.

### Benefit

The account balance at the retirement date subject to limits imposed under Internal Revenue Code Section 415.

### Form of Payment

The normal form of payment is a lump-sum distribution. Annuity options are available if the sum of the employer and employee accounts equal or exceed \$3,500.

### Early Retirement

#### Eligibility Requirement

Age 55.

### Benefit and Form of Payment

Same as Normal Retirement.

### Late Retirement

#### Benefit and Form of Payment

Same as Normal Retirement.

**Table 14 Solvency test**

| Valuation Date<br>(as of June 30) | Aggregate Accrued Liabilities For            |  |  |                              |                        |     |     |
|-----------------------------------|--|--|--|------------------------------|------------------------|-----|-----|
|                                   | (1)  | (2)                                      | (3)  | Actuarial Value<br>of Assets | Funding of Liabilities |     |     |
|                                   | Active Member<br>Contributions<br>On Deposit | Future Benefits<br>to Benefit Recipients | Service Already<br>Rendered by Active<br>Members |                              | (1)                    | (2) | (3) |
| 1997                              | \$164,078                                    | \$0                                      | \$0  | \$(393,000)                  | -239.5%                | na  | na  |
| 1998                              | 1,727,705                                    | 0  | 0  | 2,083,000                    | 120.6                  | na  | na  |
| 1999                              | 5,000,613                                    | 0  | 0  | 5,224,000                    | 104.4                  | na  | na  |
| 2000                              | 10,350,720                                   | 0  | 0  | 10,868,000                   | 104.9                  | na  | na  |
| 2001                              | 16,938,474                                   | 0  | 0  | 15,768,000                   | 93.0                   | na  | na  |

**Table 15 Analysis of financial experience**

|   | Actuarial Valuation as of June 30 |              |
|---|-----------------------------------|--------------|
|   | 2001                              | 2000         |
| Actuarial Accrued Liability                 | \$16,938,474                      | \$10,350,720 |
| Actuarial Value of Assets                   | \$15,768,000                      | \$10,868,000 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$1,170                           | (\$517,280)  |
| Funded Ratio                                | 93%                               | 105%         |

### ***Deferred Retirement***

#### **Benefit**

A participant may cease active service, leave the accumulated account balance on deposit and later retire upon attaining the minimum age requirement.

#### ***Disability Benefit***

##### **Eligibility Requirement**

Determination by the Teachers' Retirement Board that the participant has a total and permanent disability.

##### **Benefit**

The account balance at the date of disability. An annuity benefit is discontinued if the participant is re-employed before age 60 and performs service creditable under the program.

##### **Form of Payment**

Same as Normal Retirement.

### ***Death Before Retirement***

##### **Eligibility Requirement**

Deceased participant has an account balance.

##### **Benefit**

The account balance at the date of death payable to the designated beneficiary.

##### **Form of Payment**

Same as Normal Retirement.

### ***Death After Retirement***

##### **Eligibility Requirement**

The deceased participant was receiving an annuity.



**Benefit**

According to the terms of the annuity elected by the participant.

***Termination from the Program***

**Eligibility Requirement**

More than five years has elapsed since the most recent termination benefit, if any, has been paid.

**Benefit and Form of Payment**

Lump-sum distribution of the account balance as of the date of distribution. The benefit is payable one year from the termination of creditable service.

**CHANGES IN PROGRAM PROVISIONS**

There have been no program amendments that would affect an actuarial valuation of CalSTRS since the last annual financial report was issued. All program provisions were considered in the completion of the June 30, 2001, actuarial valuation.







## Defined Benefit Program

Note: Supplemental statistical tables are available upon request to the Public Service Office at 1-800-228-5453.

**Table 1 Schedule of revenues by source (millions)**

| Fiscal Year Ended June 30 | Member Contributions | Employer Contributions | Percentage of Annual Covered Payroll | Investment Income | State of California <sup>(1)</sup> | Other Income        | Total <sup>(2)</sup> |
|---------------------------|----------------------|------------------------|--------------------------------------|-------------------|------------------------------------|---------------------|----------------------|
| 2002                      | \$1,872.6            | \$1,725.0              | 8.25 %                               | (\$6,386.9)       | \$915.8                            | \$0.73              | (\$1,872.8)          |
| 2001                      | 1,843.5              | 1,884.0                | 8.25                                 | (10,232.0)        | 946.2                              | 0.40                | (5,558.0)            |
| 2000                      | 1,532.4              | 1,590.8                | 8.25                                 | 12,690.6          | 939.2                              | 0.20                | 16,753.2             |
| 1999 <sup>(3)</sup>       | 1,424.1              | 1,475.7                | 8.25                                 | 11,797.8          | 350.1                              | 1.30 <sup>(4)</sup> | 15,049.0             |
| 1998                      | 1,302.8              | 1,371.4                | 8.25                                 | 12,949.5          | 1,004.6                            | 0.70                | 16,629.0             |
| 1997                      | 1,195.8              | 1,250.0                | 8.25                                 | 11,018.8          | 872.4                              | 0.70                | 14,337.7             |
| 1996                      | 1,089.0              | 1,140.8                | 8.25                                 | 7,463.7           | 754.8                              | 0.10                | 10,448.4             |

(1) Includes Elder Full Funding, SBMA contributions and school lands revenue.

(2) GASB 25, which required reporting of investments at fair value, was adopted in 1995. Investments are stated at cost for 1994 and prior years.

(3) Includes member/participant contributions and investment income received during 1/1/99 to 6/30/99 for Cash Balance Benefit Program.

(4) Equity transfer from CB Plan recorded at fund closure \$1,285,093.

**Table 2 Expenses by type (millions)**

| Fiscal Year Ended June 30 | Benefit Payments | Administrative Expenses | Refunds | Misc. <sup>(1)</sup> | Total     |
|---------------------------|------------------|-------------------------|---------|----------------------|-----------|
| 2002                      | \$4,501.0        | \$64.0                  | \$74.0  | 0.0                  | \$4,639.0 |
| 2001                      | 3,954.0          | 54.5                    | 77.5    | 0.0                  | 4,086.0   |
| 2000                      | 3,625.7          | 50.5                    | 80.0    | 0.0                  | 3,756.2   |
| 1999 <sup>(2)</sup>       | 3,343.1          | 45.0                    | 74.6    | 0.0                  | 3,462.7   |
| 1998                      | 3,103.2          | 36.3                    | 69.0    | 0.0                  | 3,208.5   |
| 1997                      | 2,912.3          | 37.1                    | 65.9    | 0.0                  | 3,015.3   |
| 1996                      | 2,749.7          | 36.2                    | 69.2    | 0.0                  | 2,855.1   |

(1) Payments made by the System to a district maintaining a local retirement system equal to the pension (public) portion of allowance paid by the local system during the previous year.

(2) Includes administrative expenses paid from 1/1/99 to 6/30/99 for Cash Balance Benefit Program. These were adjusted in the subsequent year.

**Table 3 Schedule of benefit expenses by type (millions)**

| Fiscal Year Ended June 30 | Age & Service Benefits |           |  | Disability Benefits |                          | Refunds |            | Total     |
|---------------------------|------------------------|-----------|--|---------------------|--------------------------|---------|------------|-----------|
|                           | Retired Members        | Survivors | Death in Service Benefits <sup>(1)</sup> | Retired Members     | Survivors <sup>(2)</sup> | Death   | Separation |           |
| 2002                      | \$4,108.8              | \$225.2   | \$39.3                                   | \$97.3              | \$5.2                    | \$30.4  | \$69.0     | \$4,575.2 |
| 2001                      | 3,785.3                | 36.7      | 21.0                                     | 88.4                | 1.0                      | 21.6    | 77.0       | 4,031.0   |
| 2000                      | 3,459.6                | 33.7      | 26.8                                     | 79.0                | 1.1                      | 26.4    | 80.0       | 3,706.6   |
| 1999                      | 3,180.5                | 31.8      | 32.8                                     | 73.2                | 1.2                      | 23.6    | 74.6       | 3,417.7   |
| 1998                      | 2,953.7                | 30.3      | 29.6                                     | 66.5                | 1.0                      | 22.1    | 69.0       | 3,172.2   |
| 1997                      | 2,770.0                | 28.9      | 32.2                                     | 59.4                | 0.8                      | 21.3    | 65.9       | 2,978.5   |
| 1996                      | 2,616.4                | 26.2      | 31.4                                     | 53.0                | 0.6                      | 22.1    | 69.2       | 2,818.9   |
| 1995                      | 2,449.6                | 24.1      | 27.0                                     | 45.9                | 0.4                      | 20.4    | 66.6       | 2,634.0   |
| 1994                      | 2,283.9                | 23.0      | 24.2                                     | 39.7                | 0.2                      | 19.8    | 61.4       | 2,452.2   |
| 1993                      | 2,096.2                | 21.3      | 13.0                                     | 34.1                | 0.1                      | 16.8    | 68.3       | 2,249.8   |
| 1992                      | 1,732.2                | 19.8      | 13.5                                     | 30.7                | 0.0                      | 13.5    | 56.6       | 1,866.3   |
| 1991                      | 1,537.8                | 18.1      | 10.7                                     | 29.4                | 0.0                      | 11.8    | 51.7       | 1,659.5   |
| 1990                      | 1,412.0                | 17.6      | 11.8                                     | 27.7                | 0.0                      | 13.6    | 50.4       | 1,533.1   |

(1) Lump-sum death benefit payment was increased from \$2,000 to \$5,000 and implemented in the 1993–94 fiscal year.

(2) Amounts paid for disability benefits to survivors was included with amounts paid to disability retirees until 10/16/92, when CalSTRS' law changed disability qualifications and how benefits were paid. After that date, new benefits to survivors are recorded and tracked as a separate benefit type.

**Table 4 Members retired for service during fiscal year 2001–02 classified by unmodified allowance <sup>(1)</sup>**

| Monthly Unmodified Allowance | Count        | Average Age at Retirement | Average Service Credit      | Average Final Compensation   | Average Allowance Payable    |
|------------------------------|--------------|---------------------------|-----------------------------|------------------------------|------------------------------|
| Less than \$500              | 382          | 60.9                      | 6.396                       | \$2,932                      | \$292                        |
| 500–1000                     | 601          | 59.9                      | 11.454                      | 3,819                        | 719                          |
| 1000–1500                    | 573          | 59.5                      | 15.834                      | 4,460                        | 1,202                        |
| 1500–2000                    | 630          | 61.0                      | 18.752                      | 4,902                        | 1,672                        |
| 2000–2500                    | 631          | 60.9                      | 22.124                      | 5,288                        | 2,154                        |
| 2500–3000                    | 667          | 60.4                      | 26.141                      | 5,455                        | 2,711                        |
| 3000–3500                    | 833          | 59.7                      | 29.501                      | 5,668                        | 3,282                        |
| 3500–4000                    | 898          | 60.4                      | 31.325                      | 5,756                        | 3,800                        |
| 4000–4500                    | 1,093        | 60.9                      | 33.018                      | 5,952                        | 4,319                        |
| 4500–5000                    | 1,150        | 61.8                      | 34.636                      | 6,103                        | 4,824                        |
| 5000–6000                    | 1,466        | 62.5                      | 36.697                      | 6,455                        | 5,464                        |
| 6000 and greater             | 838          | 63.4                      | 38.744                      | 7,864                        | 6,916                        |
| <b>Totals</b>                | <b>9,762</b> | <b>61.1<sup>(2)</sup></b> | <b>28.324<sup>(2)</sup></b> | <b>\$5,686<sup>(2)</sup></b> | <b>\$3,654<sup>(2)</sup></b> |

(1) Does not include formerly disabled members

(2) Overall averages



**Table 5 Members retired for service during fiscal year 2001–02<sup>(1)</sup> classified by age and joint and survivor annuity option elected <sup>(2)</sup>**  
**(Does not include formerly disabled members)**

| Age          | Total        | Unmod.       | Options    |            |           |           |              |              |           |
|--------------|--------------|--------------|------------|------------|-----------|-----------|--------------|--------------|-----------|
|              |              |              | 2          | 3          | 4         | 5         | 6            | 7            | 8         |
| Under 55     | 33           | 15           | 6          | 1          | 0         | 0         | 7            | 4            | 0         |
| 55           | 368          | 208          | 31         | 3          | 0         | 4         | 67           | 53           | 2         |
| 56           | 710          | 408          | 54         | 18         | 4         | 4         | 108          | 110          | 4         |
| 57           | 501          | 239          | 29         | 13         | 4         | 3         | 117          | 94           | 2         |
| 58           | 604          | 304          | 46         | 12         | 5         | 3         | 119          | 110          | 5         |
| 59           | 795          | 362          | 58         | 20         | 4         | 3         | 169          | 177          | 2         |
| 60           | 1,114        | 494          | 63         | 34         | 12        | 8         | 277          | 217          | 9         |
| 61           | 1,146        | 472          | 92         | 26         | 14        | 8         | 291          | 234          | 9         |
| 62           | 1,238        | 570          | 94         | 28         | 17        | 4         | 302          | 213          | 10        |
| 63           | 867          | 413          | 75         | 17         | 8         | 3         | 186          | 153          | 12        |
| 64           | 601          | 309          | 41         | 15         | 5         | 3         | 124          | 100          | 4         |
| 65           | 449          | 240          | 31         | 21         | 2         | 3         | 89           | 62           | 1         |
| 66           | 333          | 169          | 28         | 6          | 3         | 2         | 77           | 45           | 3         |
| 67           | 223          | 128          | 12         | 4          | 2         | 0         | 44           | 28           | 5         |
| 68           | 188          | 123          | 12         | 4          | 2         | 1         | 24           | 19           | 3         |
| 69           | 141          | 77           | 8          | 5          | 0         | 0         | 28           | 19           | 4         |
| 70           | 108          | 60           | 8          | 3          | 0         | 0         | 14           | 18           | 5         |
| 71           | 86           | 58           | 6          | 2          | 0         | 0         | 13           | 5            | 2         |
| 72           | 71           | 40           | 6          | 1          | 1         | 1         | 8            | 12           | 2         |
| 73           | 49           | 29           | 6          | 1          | 2         | 0         | 6            | 4            | 1         |
| 74           | 35           | 20           | 4          | 2          | 1         | 0         | 1            | 4            | 3         |
| 75           | 35           | 21           | 1          | 1          | 1         | 1         | 6            | 3            | 1         |
| Over 75      | 67           | 42           | 5          | 1          | 0         | 1         | 5            | 9            | 4         |
| Age Unknown  | 0            | 0            | 0          | 0          | 0         | 0         | 0            | 0            | 0         |
| <b>Total</b> | <b>9,762</b> | <b>4,801</b> | <b>716</b> | <b>238</b> | <b>87</b> | <b>52</b> | <b>2,082</b> | <b>1,693</b> | <b>93</b> |

(1) Does not include formerly disabled members

(2) See Plan Summary for description of Joint and Survivor Options

**Table 6 Characteristics of members going on disability**

| <b>Fiscal Year Ended June 30</b> | <b>Count</b> | <b>Disability Allowance Payable</b> | <b>Service Credit</b> | <b>Final Compensation</b> | <b>Age at Disability</b> |
|----------------------------------|--------------|-------------------------------------|-----------------------|---------------------------|--------------------------|
| 1993                             | 388          | \$1,809                             | 16.014                | \$3,300                   | 50.3                     |
| 1994                             | 468          | 1,824                               | 15.977                | 3,676                     | 51.4                     |
| 1995                             | 469          | 1,851                               | 15.914                | 3,656                     | 51.3                     |
| 1996                             | 496          | 1,859                               | 15.952                | 3,641                     | 51.9                     |
| 1997                             | 464          | 1,923                               | 15.660                | 3,883                     | 52.0                     |
| 1998                             | 451          | 1,989                               | 14.446                | 3,906                     | 52.3                     |
| 1999                             | 414          | 2,114                               | 15.630                | 4,027                     | 52.2                     |
| 2000                             | 454          | 2,124                               | 15.224                | 4,190                     | 52.6                     |
| 2001                             | 486          | 2,270                               | 15.802                | 4,476                     | 53.9                     |
| 2002                             | 554          | 2,272                               | 14,840                | 4,580                     | 53.6                     |

**Table 7 Number of benefit recipients by type of benefit**

| <b>Fiscal Year Ended June 30</b> | <b>Service Retirement</b> | <b>Disability Benefits</b> | <b>Benefits for Survivors</b> | <b>Total Benefit Recipients</b> |
|----------------------------------|---------------------------|----------------------------|-------------------------------|---------------------------------|
| 1993                             | 122,762                   | 4,879                      | 9,346                         | 136,987                         |
| 1994                             | 126,476                   | 5,126                      | 10,271                        | 141,873                         |
| 1995                             | 130,576                   | 5,331                      | 10,898                        | 146,805                         |
| 1996                             | 133,764                   | 5,540                      | 11,501                        | 150,805                         |
| 1997                             | 135,809                   | 5,676                      | 12,154                        | 153,639                         |
| 1998                             | 139,193                   | 5,758                      | 12,796                        | 157,747                         |
| 1999                             | 142,309                   | 5,822                      | 13,326                        | 161,457                         |
| 2000                             | 145,415                   | 5,885                      | 13,982                        | 165,282                         |
| 2001                             | 149,727                   | 6,477                      | 14,768                        | 170,972                         |
| 2002                             | 154,884                   | 6,724                      | 15,461                        | 177,069                         |



**Table 8 Members retired for service characteristics by year of retirement (Does not include formerly disabled members)**

| Effective Date of Retirement by Service Credit | Number of Retirements | Average Service Credit | Average Unmodified Monthly Benefit | Average Final Compensation | Average Age At Retirement |
|--|-----------------------|------------------------|------------------------------------|----------------------------|---------------------------|
| 7/1/92 thru 6/30/93                            | 7,780                 | 26.8                   | \$2,153                            | \$3,960                    | 61.3                      |
| 7/1/93 thru 6/30/94                            | 7,152                 | 27.0                   | 2,187                              | 4,043                      | 60.9                      |
| 7/1/94 thru 6/30/95                            | 7,140                 | 26.5                   | 1,984                              | 4,030                      | 61.1                      |
| 7/1/95 thru 6/30/96                            | 6,985                 | 26.6                   | 2,171                              | 4,110                      | 61.3                      |
| 7/1/96 thru 6/30/97                            | 6,011                 | 26.6                   | \$2,210                            | \$4,206                    | 60.9                      |
| 7/1/97 thru 6/30/98                            |                       |                        |                                    |                            |                           |
| 0 – 5  | 73                    | 2.5                    | \$ 298                             | —                          | —                         |
| 5 – 10   | 530                   | 7.4                    | 414                                | —                          | —                         |
| 10 – 15  | 572                   | 12.6                   | 834                                | —                          | —                         |
| 15 – 20  | 581                   | 17.7                   | 1,280                              | —                          | —                         |
| 20 – 25  | 884                   | 22.6                   | 1,811                              | —                          | —                         |
| 25 – 30  | 1,356                 | 27.7                   | 2,331                              | —                          | —                         |
| 30 – 35  | 1,799                 | 32.5                   | 2,817                              | —                          | —                         |
| 35 – 40  | 1,259                 | 37.2                   | 3,548                              | —                          | —                         |
| 40 & over                                      | 278                   | 42.0                   | 4,251                              | —                          | —                         |
| <b>Total</b>                                   | <b>7,332</b>          | <b>26.8</b>            | <b>\$2,310</b>                     | <b>\$4,345</b>             | <b>60.8</b>               |
| 7/1/98 thru 6/30/99                            |                       |                        |                                    |                            |                           |
| 0 – 5  | 72                    | 2.8                    | \$ 355                             | —                          | —                         |
| 5 – 10   | 459                   | 7.6                    | 491                                | —                          | —                         |
| 10 – 15  | 611                   | 12.6                   | 959                                | —                          | —                         |
| 15 – 20  | 644                   | 17.5                   | 1,394                              | —                          | —                         |
| 20 – 25  | 806                   | 22.6                   | 1,999                              | —                          | —                         |
| 25 – 30  | 1,081                 | 27.6                   | 2,574                              | —                          | —                         |
| 30 – 35  | 1,852                 | 32.5                   | 3,237                              | —                          | —                         |
| 35 – 40  | 1,312                 | 37.2                   | 4,093                              | —                          | —                         |
| 40 & over                                      | 411                   | 42.6                   | 5,147                              | —                          | —                         |
| <b>Total</b>                                   | <b>7,248</b>          | <b>27.2</b>            | <b>\$2,706</b>                     | <b>\$4,541</b>             | <b>61.2</b>               |
| 7/1/99 thru 6/30/2000                          |                       |                        |                                    |                            |                           |
| 0 – 5  | 92                    | 2.2                    | \$ 279                             | —                          | —                         |
| 5 – 10   | 519                   | 7.6                    | 504                                | —                          | —                         |
| 10 – 15  | 658                   | 12.5                   | 994                                | —                          | —                         |
| 15 – 20  | 694                   | 17.6                   | 1,512                              | —                          | —                         |
| 20 – 25  | 900                   | 22.5                   | 2,099                              | —                          | —                         |
| 25 – 30  | 960                   | 27.4                   | 2,733                              | —                          | —                         |
| 30 – 35  | 1,968                 | 32.5                   | 3,487                              | —                          | —                         |
| 35 – 40  | 1,382                 | 37.1                   | 4,495                              | —                          | —                         |
| 40 & over                                      | 383                   | 42.3                   | 5,532                              | —                          | —                         |
| <b>Total</b>                                   | <b>7,556</b>          | <b>26.8</b>            | <b>\$2,872</b>                     | <b>\$4,688</b>             | <b>61.3</b>               |

**Table 8 continued Members retired for service characteristics by year of retirement (Does not include formerly disabled members)**

| <b>Effective Date of Retirement by Service Credit</b> | <b>Number of Retirements</b> | <b>Average Service Credit</b> | <b>Average Unmodified Monthly Benefit</b> | <b>Average Final Compensation</b> | <b>Average Age At Retirement</b> |
|---|------------------------------|-------------------------------|---|-----------------------------------|----------------------------------|
| 7/1/00 thru 6/30/2001                                 |                              |                               |   |                                   |                                  |
| 0 – 5   | 86                           | 2.3                           | \$ 226                                    | —                                 | —                                |
| 5 – 10  | 505                          | 7.3                           | 513                                       | —                                 | —                                |
| 10 – 15   | 661                          | 12.6                          | 1,066                                     | —                                 | —                                |
| 15 – 20   | 707                          | 17.4                          | 1,594                                     | —                                 | —                                |
| 20 – 25   | 821                          | 22.4                          | 2,162                                     | —                                 | —                                |
| 25 – 30   | 988                          | 27.3                          | 3,073                                     | —                                 | —                                |
| 30 – 35   | 2,446                        | 32.6                          | 3,911                                     | —                                 | —                                |
| 35 – 40   | 2,041                        | 37.2                          | 4,963                                     | —                                 | —                                |
| 40 & over   | 446                          | 42.1                          | 6,121                                     | —                                 | —                                |
| <b>Total</b>  | <b>8,701</b>                 | <b>28.1</b>                   | <b>\$3,373</b>                            | <b>\$5,312</b>                    | <b>61.2</b>                      |
| 7/1/01 thru 6/30/2002                                 |                              |                               |   |                                   |                                  |
| 0 – 5   | 86                           | 2.4                           | \$ 228                                    | —                                 | —                                |
| 5 – 10  | 499                          | 7.3                           | 512                                       | —                                 | —                                |
| 10 – 15   | 679                          | 12.6                          | 1,093                                     | —                                 | —                                |
| 15 – 20   | 860                          | 17.4                          | 1,711                                     | —                                 | —                                |
| 20 – 25   | 886                          | 22.3                          | 2,380                                     | —                                 | —                                |
| 25 – 30   | 1,081                        | 27.1                          | 3,282                                     | —                                 | —                                |
| 30 – 35   | 2,912                        | 32.7                          | 4,215                                     | —                                 | —                                |
| 35 – 40   | 2,277                        | 37.2                          | 5,341                                     | —                                 | —                                |
| 40 & over   | 482                          | 42.1                          | 6,511                                     | —                                 | —                                |
| <b>Total</b>  | <b>9,762</b>                 | <b>28.3</b>                   | <b>\$3,659</b>                            | <b>\$5,686</b>                    | <b>61.1</b>                      |



# Defined Benefit Program

## PARTICIPATING EMPLOYERS

### Alameda County

*K-12*

County Superintendent  
Alameda Unified  
Albany Unified  
Berkeley Unified  
Castro Valley Unified  
Dublin Unified  
Emery Unified  
Fremont Unified  
Hayward Unified  
Livermore Valley Joint Unified  
Mountain House Elementary  
New Haven Unified  
Newark Unified  
Oakland Unified  
Piedmont City Unified  
Pleasanton Unified  
San Leandro Unified  
San Lorenzo Unified  
Sunol Glen Unified

#### *Community Colleges*

Chabot Las Positas  
Peralta Community

### Alpine County

*K-12*

County Superintendent  
Alpine County Unified

### Amador County

*K-12*

County Superintendent  
Amador County Unified

### Butte County

*K-12*

County Superintendent  
Bangor Union Elementary  
Biggs Unified  
Chico Unified  
Durham Unified  
Feather Falls Union  
Golden Feather Union  
Gridley Unified  
Manzanita Elementary  
Oroville City Elementary  
Oroville Union High  
Palermo Union  
Paradise Unified  
Pioneer Union Elementary  
Thermalito Union

#### *Community Colleges*

Butte

### Calaveras County

*K-12*

County Superintendent  
Bret Harte Union High  
Calaveras Unified  
Mark Twain Union Elementary  
Vallecito Union Elementary

### Colusa County

*K-12*

County Superintendent  
Colusa Unified  
Maxwell Unified  
Pierce Joint Unified  
Williams Unified

### Contra Costa County

*K-12*

County Superintendent  
Acalanes Union High  
Antioch Unified  
Brentwood Union  
Byron Union Elementary  
Canyon Elementary  
John Swett Unified  
Knightsen Elementary  
Lafayette Elementary  
Liberty Union High  
Martinez Unified  
Moraga Elementary  
Mt. Diablo Unified  
Oakley Union Elementary  
Orinda Union Elementary  
Pittsburg Unified  
San Ramon Valley Unified  
Walnut Creek Elementary  
West Contra Costa Unified

#### *Community Colleges*

Contra Costa

### Del Norte County

*K-12*

Del Norte County Unified

### El Dorado County

*K-12*

County Superintendent  
Black Oak Mine Unified  
Buckeye Union Elementary  
Camino Union Elementary  
El Dorado Union High

Gold Oak Union  
Gold Trail Union  
Indian Diggings Elementary  
Lake Tahoe Unified  
Latrobe  
Mother Lode Union Elementary  
Pioneer Union Elementary  
Placerville Union Elementary  
Pollock Pines Elementary  
Rescue Union Elementary  
Silver Fork Elementary

#### *Community Colleges*

Lake Tahoe

### Fresno County

*K-12*

County Superintendent  
Alvina Elementary  
American Union Elementary  
Big Creek Elementary  
Burrel Union Elementary  
Caruthers Unified  
Central Unified  
Clay Joint Elementary  
Clovis Unified  
Coalinga/Huron Joint Unified  
Firebaugh-Las Deltas Unified  
Fowler Unified  
Fresno Unified  
Golden Plains Unified  
Kerman Unified  
Kings Canyon Joint Unified  
Kingsburg Joint Union Elementary/  
Kingsburg Joint Union High  
Laton Joint Unified  
Mendota Unified  
Monroe Elementary  
Orange Center  
Pacific Union Elementary  
Parlier Unified  
Pine Ridge Elementary  
Raisin City Elementary  
Riverdale Joint Unified  
Sanger Unified  
Selma Unified  
Sierra Unified  
Washington Colony Elementary  
Washington Union High  
West Fresno Elementary  
West Park Elementary  
Westside Elementary

#### *Community Colleges*

State Center  
West Hills

## **Glenn County**

### ***K-12***

County Superintendent  
Capay Joint Union Elementary  
Hamilton Union Elementary  
Hamilton Union High  
Lake Elementary  
Orland Joint Unified  
Plaza Elementary  
Princeton Joint Unified  
Stony Creek Joint Unified  
Willows Unified

## **Humboldt County**

### ***K-12***

County Superintendent  
Arcata Elementary  
Big Lagoon Union Elementary  
Blue Lake Union Elementary  
Bridgeville Elementary  
Cuddeback Union Elementary  
Cutten Elementary  
Eureka City Schools  
Ferndale Unified  
Fieldbrook Elementary  
Fortuna Union Elementary  
Fortuna Union High  
Freshwater Elementary  
Garfield Elementary  
Green Point Elementary  
Hydesville Elementary  
Jacoby Creek Elementary  
Klamath-Trinity Joint Unified  
Kneeland Elementary  
Loleta Union Elementary  
Maple Creek Elementary  
Mattole Unified  
McKinleyville Union Elementary  
Northern Humboldt Union High  
Orick Elementary  
Pacific Union Elementary  
Peninsula Union Elementary  
Rio Dell Elementary  
Rohnerville Elementary  
Scotia Union Elementary  
South Bay Union Elementary  
Southern Humboldt Joint Unified  
Trinidad Union Elementary

### ***Community Colleges***

Redwoods

## **Imperial County**

### ***K-12***

County Superintendent  
Brawley Elementary  
Brawley Union High

Calexico Unified  
Calipatria Unified  
Central Union High  
El Centro Elementary  
Heber Elementary  
Holtville Unified  
Imperial Unified  
Magnolia Union Elementary  
McCabe Union Elementary  
Meadows Union Elementary  
Mulberry Elementary  
San Pasqual Valley Unified  
Seeley Union Elementary  
Westmorland Union Elementary

### ***Community Colleges***

Imperial

## **Inyo County**

### ***K-12***

County Superintendent  
Big Pine Unified  
Bishop Joint Union High  
Bishop Union Elementary  
Death Valley Unified  
Lone Pine Unified  
Owens Valley Unified  
Round Valley Joint Elementary

## **Kern County**

### ***K-12***

County Superintendent  
Arvin Union Elementary  
Bakersfield City  
Beardsley Elementary  
Belridge Elementary  
Blake Elementary  
Buttonwillow Union Elementary  
Caliente Union Elementary  
Delano Joint Union High  
Delano Union Elementary  
Di Giorgio Elementary  
Edison Elementary  
El Tejon Unified  
Elk Hills Elementary  
Fairfax Elementary  
Fruitvale Elementary  
General Shafter Elementary  
Greenfield Union  
Kern Union High  
Kernville Union Elementary  
Lakeside Union Elementary  
Lamont Elementary  
Linns Valley-Poso Flat Union Elementary  
Lost Hills Union Elementary  
Maple Elementary

Maricopa Unified  
McFarland Unified  
McKittrick Elementary  
Midway Elementary  
Mojave Unified  
Muroc Joint Unified  
Norris  
Panama-Buena Vista Union  
Pond Union Elementary  
Richland-Lerdo Elementary  
Rio Bravo-Greeley Union Elementary  
Rosedale Union Elementary  
Semitropic Elementary  
Sierra Sands Unified  
South Fork Union  
Southern Kern Unified  
Standard Elementary  
Taft City Elementary  
Taft Union High  
Tehachapi Unified  
Vineland Elementary  
Wasco Union Elementary  
Wasco Union High

### ***Community Colleges***

Bakersfield-Delano Center  
Cerro Coso  
Kern  
Porterville  
Westkern

## **Kings County**

### ***K-12***

County Superintendent  
Armona Union Elementary  
Central Union Elementary  
Corcoran Joint Unified  
Delta View Joint Union Elementary  
Hanford Elementary  
Hanford Joint Union High  
Island Union Elementary  
Kings River-Hardwick Union Elementary  
Kit Carson Union Elementary  
Lakeside Union Elementary  
Lemoore Union Elementary  
Lemoore Union High  
Pioneer Union Elementary  
Reef-Sunset Unified

## **Lake County**

### ***K-12***

County Superintendent  
Kelseyville Unified  
Konocti Unified  
Lakeport Unified  
Lucerne Elementary



Middletown Unified  
Upper Lake Union Elementary  
Upper Lake Union High

**Lassen County**

*K-12*

County Superintendent  
Big Valley Joint Unified  
Fort Sage Unified  
Janesville Union Elementary  
Johnstonville Elementary  
Lassen Union High  
Ravendale-Termo Elementary  
Richmond Elementary  
Shaffer Union  
Susanville  
Westwood Unified

*Community Colleges*

Lassen

**Los Angeles County**

*K-12*

Los Angeles County Office of Education  
ABC Unified  
Acton-Agua Dulce Unifed  
Alhambra City Elementary  
Alhambra City High  
Antelope Valley Union High  
Arcadia Unified  
Azusa Unified  
Baldwin Park Unified  
Bassett Unified  
Bellflower Unified  
Beverly Hills Unified  
Bonita Unified  
Burbank Unified  
Castaic Union  
Centinela Valley Union High  
Charter Oak Unified  
Claremont Unified  
Compton Unified  
Covina-Valley Unified  
Culver City Unified  
Downey Unified  
Duarte Unified  
East Whittier City Elementary  
Eastside Union  
El Monte City  
El Monte Union High  
El Rancho Unified  
El Segundo Unified  
Garvey Elementary  
Glendale Unified  
Glendora Unified  
Gorman Elementary

Hacienda La Puente Unified  
Hawthorne  
Hermosa Beach City Elementary  
Hughes-Elizabeth Lakes Union Elementary  
Inglewood Unified  
Keppel Union Elementary  
La Canada Unified  
Lancaster Elementary  
Las Virgenes Unified  
Lawndale Elementary  
Lennox Elementary  
Little Lake City Elementary  
Long Beach Unified  
Los Angeles Unified  
Los Nietos Elementary  
Lowell Joint Elementary  
Lynwood Unified  
Manhattan Beach Unified  
Monrovia Unified  
Montebello Unified  
Mountain View Elementary  
Newhall Elementary  
Norwalk-La Mirada Unified  
Palmdale Elementary  
Palos Verdes Peninsula Unified  
Paramount Unified  
Pasadena Unified  
Pomona Unified  
Redondo Beach Unified  
Rosemead Elementary  
Rowland Unified  
San Gabriel Unified  
San Marino Unified  
Santa Monica-Malibu Unified  
Saugus Union Elementary  
South Pasadena Unified  
South Whittier Elementary  
Sulphur Springs Union Elementary  
Temple City Unified  
Torrance Unified  
Valle Lindo Elementary  
Walnut Valley Unified  
West Covina Unified  
Westside Union Elementary  
Whittier City  
Whittier Union High  
William S. Hart Union High  
Wilsona  
Wiseburn Elementary

*Community Colleges*

Antelope Valley  
Cerritos  
Citrus  
Compton  
El Camino  
Glendale

Long Beach  
Los Angeles  
Mt San Antonio  
Pasadena Area  
Rio Hondo  
Santa Clarita  
Santa Monica

**Madera County**

*K-12*

County Superintendent  
Alview-Dairyland Union Elementary  
Bass Lake Joint Union Elementary  
Chawanakee Elementary  
Chowchilla Elementary  
Chowchilla Union High  
Coarsegold Union  
Golden Valley Unified  
Madera Unified  
Minarets Joint Union High  
Raymond-Knowles Union Elementary  
Yosemite Union High

**Marin County**

*K-12*

County Superintendent  
Bolin-Stinson Union Elementary  
Dixie Elementary  
Kentfield Elementary  
Laguna Joint Elementary  
Lagunitas Elementary  
Larkspur Elementary  
Lincoln Elementary  
Mill Valley Elementary  
Nicasio Elementary  
Novato Unified  
Reed Union Elementary  
Ross Elementary  
Ross Valley  
San Rafael City Elementary  
San Rafael City High  
Sausalito Elementary  
Shoreline Unified  
Tamalpais Union High  
Union Joint Elementary

*Community Colleges*

College of Marin

**Mariposa County**

*K-12*

County Office of Education  
Mariposa County Unified

## **Mendocino County**

### ***K-12***

County Superintendent  
Anderson Valley Unified  
Arena Union Elementary  
Fort Bragg Unified  
Laytonville Unified  
Leggett Valley Unified  
Manchester Union Elementary  
Mendocino Unified  
Point Arena Joint Union High  
Potter Valley Community Unified  
Round Valley Unified  
Ukiah Unified  
Willits Unified

### ***Community Colleges***

Mendocino Lake

## **Merced County**

### ***K-12***

County Superintendent  
Atwater Elementary  
Ballico-Cressey Elementary  
Delhi Unified  
Dos Palos-Oro Loma Joint Unified  
El Nido Elementary  
Gustine Unified  
Hilmar Unified  
Le Grand Union Elementary  
Le Grand Union High  
Livingston Union  
Los Banos Unified  
McSwain Union Elementary  
Merced City Elementary  
Merced River Union Elementary  
Merced Union High  
Plainsburg Union Elementary  
Planada Elementary  
Snelling-Merced Falls Union Elementary  
Weaver Union  
Winton Elementary

### ***Community Colleges***

Merced

## **Modoc County**

### ***K-12***

County Superintendent  
Modoc Joint Unified  
Surprise Valley Joint Unified  
Tulelake Basin Joint Unified

## **Mono County**

### ***K-12***

Mono County Office of Education  
Eastern Sierra Unified  
Mammoth Unified

## **Monterey County**

### ***K-12***

County Superintendent  
Alisal Union Elementary  
Bradley Union Elementary  
Carmel Unified  
Chualar Union Elementary  
Gonzales Unified  
Graves Elementary  
Greenfield Union Elementary  
King City Joint Union High  
King City Union Elementary  
Lagunita Elementary  
Mission Union Elementary  
Monterey Peninsula Unified  
North Monterey County Unified  
Pacific Unified  
Salinas City Elementary  
Salinas Union High  
San Antonio Union Elementary  
San Ardo Union Elementary  
San Lucas Union Elementary  
Santa Rita Union Elementary  
Soledad Unified  
Spreckels Union  
Washington Union Elementary

### ***Community Colleges***

Hartnell  
Monterey Peninsula

## **Napa County**

### ***K-12***

County Superintendent  
Calistoga Joint Unified  
Howell Mountain Elementary  
Napa Valley Unified  
Pope Valley Union  
St. Helena Unified

### ***Community Colleges***

Napa Valley

## **Nevada County**

### ***K-12***

County Superintendent  
Chicago Park Elementary  
Clear Creek Elementary  
Grass Valley Elementary

Nevada City  
Nevada Joint Union  
Pleasant Ridge Union Elementary  
Pleasant Valley Elementary  
Ready Springs Union  
Twin Ridges Elementary  
Union Hill Elementary

## **Orange County**

### ***K-12***

County Superintendent  
Anaheim City  
Anaheim Union High  
Brea-Olinda Unified  
Buena Park Elementary  
Capistrano Unified  
Centralia Elementary  
Cypress Elementary  
Fountain Valley Elementary  
Fullerton Elementary  
Fullerton Joint Union High  
Garden Grove Unified  
Huntington Beach City Elementary  
Huntington Beach Union High  
Irvine Unified  
La Habra City Elementary  
Laguna Beach Unified  
Los Alamitos Unified  
Magnolia Elementary  
Newport-Mesa Unified  
Ocean View Elementary  
Orange Unified  
Placentia-Yorba Linda Unified  
Saddleback Valley Unified  
Santa Ana Unified  
Savanna Elementary  
Tustin Unified  
Westminster Elementary

### ***Community Colleges***

Coast  
North Orange County  
Rancho Santiago  
South Orange

## **Placer County**

### ***K-12***

County Superintendent  
Ackerman Elementary  
Alta-Dutch Flat Union Elementary  
Auburn Union Elementary  
Colfax Elementary  
Dry Creek Joint Elementary  
Emigrant Gap Elementary  
Eureka Union Elementary  
Foresthill Union Elementary  
Loomis Union Elementary



Newcastle Elementary  
 Ophir Elementary  
 Penryn Elementary  
 Placer Hills Union Elementary  
 Placer Union High  
 Rocklin Unified  
 Roseville City Elementary  
 Roseville Joint Union High  
 Tahoe-Truckee Unified  
 Western Placer Unified

*Community Colleges*  
 Sierra Joint

**Plumas County**

*K-12*  
 County Superintendent  
 Plumas Unified

*Community Colleges*  
 Feather River

**Riverside County**

*K-12*  
 County Superintendent  
 Alvord Unified  
 Banning Unified  
 Beaumont Unified  
 Coachella Valley Unified  
 Corona-Norco Unified  
 Desert Center Unified  
 Desert Sands Unified  
 Hemet Unified  
 Jurupa Unified  
 Lake Elsinore Unified  
 Menifee Union Elementary  
 Moreno Valley Unified  
 Murrieta Valley Unified  
 Nuview Union  
 Palm Springs Unified  
 Palo Verde Unified  
 Perris Elementary  
 Perris Union High  
 Riverside Unified  
 Romoland Elementary  
 San Jacinto Unified  
 Temecula Valley Unified  
 Val Verde Unified

*Community Colleges*  
 Desert  
 Mt San Jacinto  
 Palo Verde  
 Riverside

**Sacramento County**

*K-12*  
 County Superintendent  
 Arcohe Union Elementary  
 Center Unified  
 Del Paso Heights Elementary  
 Elk Grove Unified  
 Elverta Joint Elementary  
 Folsom-Cordova Unified  
 Galt Joint Union Elementary  
 Galt Joint Union High  
 Grant Joint Union High  
 Natomas Unified  
 North Sacramento Elementary  
 Rio Linda Union Elementary  
 River Delta Unified  
 Robla Elementary  
 Sacramento City Unified  
 San Juan Unified

*Community Colleges*  
 Los Rios

**San Benito County**

*K-12*  
 County Superintendent  
 Aromas/San Juan Unified  
 Bitterwater-Tully Union Elementary  
 Cienega Union Elementary  
 Hollister Elementary  
 Jefferson Elementary  
 North County Joint Union Elementary  
 Panoche Elementary  
 San Benito High  
 Southside  
 Tres Pinos Union Elementary  
 Willow Grove Union

**San Bernardino County**

*K-12*  
 County Office of San Bernardino  
 Adelanto Elementary  
 Alta Loma Elementary  
 Apple Valley Unified  
 Baker Valley Unified  
 Barstow Unified  
 Bear Valley Unified  
 Central Elementary  
 Chaffey Joint Union High  
 Chino Valley Unified  
 Colton Joint Unified  
 Cucamonga Elementary  
 Etiwanda Elementary  
 Fontana Unified  
 Helendale  
 Lucerne Valley Unified

Morongo Unified  
 Mountain View Elementary  
 Mt. Baldy Joint Elementary  
 Needles Unified  
 Ontario-Montclair  
 Oro Grande Elementary  
 Redlands Unified  
 Rialto Unified  
 Rim Of The World Unified  
 San Bernardino City Unified  
 Silver Valley Unified  
 Snowline Joint Unified  
 Trona Joint Unified  
 Upland Unified  
 Victor Elementary  
 Victor Valley Union High  
 Yucaipa Joint Unified

*Community Colleges*  
 Barstow  
 Chaffey  
 San Bernardino  
 Victor Valley

**San Diego County**

*K-12*  
 County Superintendent  
 Alpine Union  
 Bonsall Union Elementary  
 Borrego Springs Unified  
 Cajon Valley Union Elementary  
 Cardiff Elementary  
 Carlsbad Unified  
 Chula Vista Elementary  
 Coronado Unified  
 Dehesa  
 Del Mar Union  
 Encinitas Union Elementary  
 Escondido Union Elementary  
 Escondido Union High  
 Fallbrook Union Elementary  
 Fallbrook Union High  
 Grossmont Union High  
 Jamul-Dulzura Union Elementary  
 Julian Union Elementary  
 Julian Union High  
 La Mesa-Spring Valley  
 Lakeside Union Elementary  
 Lemon Grove Elementary  
 Mountain Empire Unified  
 National  
 Oceanside Unified  
 Poway Unified  
 Ramona Unified  
 Rancho Santa Fe Elementary  
 San Diego City Unified  
 San Dieguito Union High

San Marcos Unified  
San Pasqual Union  
San Ysidro Elementary  
Santee Elementary  
Solana Beach Elementary  
South Bay Union Elementary  
Spencer Valley Elementary  
Sweetwater Union High  
Vallecitos  
Valley Center Union Elementary  
Vista Unified  
Warner Unified

**Community Colleges**

Grossmont Cuyamaca  
Miracosta  
Palomar  
San Diego  
Southwestern

**San Francisco County**

**K-12**

San Francisco County Office  
of Education  
San Francisco Unified

**Community Colleges**

City College of San Francisco

**San Joaquin County**

**K-12**

County Superintendent  
Banta Elementary  
Delta Island Union Elementary  
Escalon Unified  
Holt Union Elementary  
Jefferson Elementary  
Lammersville Elementary  
Lincoln Unified  
Linden Unified  
Lodi Unified  
Manteca Unified  
New Hope Elementary  
New Jerusalem Elementary  
Oak View Union Elementary  
Ripon Unified  
Stockton Unified  
Tracy Joint Unified

**Community Colleges**

San Joaquin Delta

**San Luis Obispo County**

**K-12**

County Superintendent  
Atascadero Unified  
Cayucos Elementary  
Coast Unified  
Lucia Mar Unified  
Paso Robles Joint Unified  
Pleasant Valley Joint Union Elementary  
San Luis Coastal Unified  
San Miguel Joint Union Elementary  
Shandon Joint Unified  
Templeton Unified

**Community Colleges**

San Luis Obispo County

**San Mateo County**

**K-12**

County Superintendent  
Bayshore Elementary  
Belmont Redwood Shores Elementary  
Brisbane Elementary  
Burlingame Elementary  
Cabrillo Unified  
County Service  
Hillsborough City  
Jefferson Elementary  
Jefferson Union High  
La Honda-Pescadero Unified  
Laguna Salada Union Elementary  
Las Lomitas Elementary  
Menlo Park City Elementary  
Millbrae Elementary  
Portola Valley Elementary  
Ravenswood City Elementary  
Redwood City Elementary  
San Bruno Park Elementary  
San Carlos Elementary  
San Mateo-Foster City  
San Mateo Union High  
Sequoia Union High  
South San Francisco Unified  
Woodside Elementary

**Community Colleges**

San Mateo

**Santa Barbara County**

**K-12**

County Superintendent  
Ballard  
Blochman Union Elementary  
Buellton Union Elementary  
Carpinteria Unified

Casmalia Elementary  
Cold Spring Elementary  
College Elementary  
Cuyama Joint Unified  
Goleta Union Elementary  
Guadalupe Union Elementary  
Hope Elementary  
Lompoc Unified  
Los Alamos Elementary  
Los Olivos Elementary  
Montecito Union Elementary  
Orcutt Union Elementary  
Santa Barbara Elementary  
Santa Barbara High  
Santa Maria-Bonita  
Santa Maria Joint Union High  
Santa Ynez Valley Union High  
Solvang Elementary  
Vista Del Mar Union Elementary

**Community Colleges**

Allan Hancock Joint  
Santa Barbara

**Santa Clara County**

**K-12**

County Superintendent  
Alum Rock Union Elementary  
Berryessa Union Elementary  
Cambrian Elementary  
Campbell Union Elementary  
Campbell Union High  
Cupertino Union  
East Side Union High  
Evergreen Elementary  
Franklin-Mckinley Elementary  
Fremont Union High  
Gilroy Unified  
Lakeside Joint  
Loma Prieta Joint Union Elementary  
Los Altos Elementary  
Los Gatos Union Elementary  
Los Gatos-Saratoga Joint Union High  
Luther Burbank  
Milpitas Unified  
Montebello Elementary  
Moreland Elementary  
Morgan Hill Unified  
Mountain View Elementary  
Mountain View-Los Altos Union High  
Mt. Pleasant Elementary  
Oak Grove Elementary  
Orchard  
Palo Alto Unified  
San Jose Unified  
Santa Clara Unified  
Saratoga Union Elementary



Sunnyvale Elementary  
 Union Elementary  
 Whisman Elementary

**Community Colleges**  
 Central Co. Regional  
 Foothill Deanza  
 Gavilan Joint  
 San Jose Evergreen  
 West Valley Mission

**Santa Cruz County**

**K-12**  
 County Superintendent  
 Bonny Doon Union Elementary  
 Happy Valley Elementary  
 Live Oak Elementary  
 Mountain Elementary  
 Pacific Elementary  
 Pajaro Valley Unified  
 San Lorenzo Valley Unified  
 Santa Cruz City Elementary  
 Santa Cruz City High  
 Scotts Valley Unified  
 Soquel Union Elementary

**Community Colleges**  
 Cabrillo

**Shasta County**

**K-12**  
 County Superintendent  
 Anderson Union High  
 Bella Vista Elementary  
 Black Butte Union Elementary  
 Cascade Union Elementary  
 Castle Rock Union Elementary  
 Columbia Elementary  
 Cottonwood Union Elementary  
 Enterprise Elementary  
 Fall River Joint Unified  
 French-Gulch Whiskeytown Elementary  
 Gateway Unified  
 Grant Elementary  
 Happy Valley Union Elementary  
 Igo, Ono, Platina Union Elementary  
 Indian Springs Elementary  
 Junction Elementary  
 Millville Elementary  
 Mountain Union Elementary  
 North Cow Creek Elementary  
 Oak Run Elementary  
 Pacheco Union Elementary  
 Redding Elementary  
 Shasta Union Elementary  
 Shasta Union High  
 Whitmore Union Elementary

**Community Colleges**  
 Shasta College

**Sierra County**

**K-12**  
 County Superintendent  
 Sierra-Plumas Joint Unified

**Community Colleges**  
 Sierra

**Siskiyou County**

**K-12**  
 County Superintendent  
 Big Springs Union Elementary  
 Bogus Elementary  
 Butte Valley Unified  
 Butteville Union Elementary  
 Delphic Elementary  
 Dunsmuir Elementary  
 Dunsmuir Joint Union High  
 Etna Union Elementary  
 Etna Union High  
 Forks of Salmon Elementary  
 Fort Jones Union Elementary  
 Gazelle Union Elementary  
 Grenada Elementary  
 Happy Camp Union Elementary  
 Hornbrook Elementary  
 Junction Elementary  
 Klamath River Union Elementary  
 Little Shasta Elementary  
 McCloud Union Elementary  
 Montague Elementary  
 Mt Shasta Union  
 Quartz Valley Elementary  
 Seiad Elementary  
 Siskiyou Union High  
 Weed Union Elementary  
 Willow Creek Elementary  
 Yreka Union Elementary  
 Yreka Union High

**Community Colleges**  
 Siskiyou Joint

**Solano County**

**K-12**  
 County Superintendent  
 Benicia Unified  
 Dixon Unified  
 Fairfield-Suisun Unified  
 Travis Unified  
 Vacaville Unified  
 Vallejo City Unified

**Community Colleges**  
 Solano County

**Sonoma County**

**K-12**  
 County Superintendent  
 Alexander Valley Union Elementary  
 Bellevue Union Elementary  
 Bennett Valley Union Elementary  
 Cinnabar Elementary  
 Cloverdale Unified  
 Cotati-Rohnert Park Unified  
 Dunham  
 Forestville Union Elementary  
 Fort Ross Elementary  
 Geyserville Unified  
 Gravenstein Union Elementary  
 Guerneville Elementary  
 Harmony Union Elementary  
 Healdsburg Unified  
 Horicon Elementary  
 Kashia Elementary  
 Kenwood Elementary  
 Liberty Elementary  
 Mark West Union  
 Monte Rio Union Elementary  
 Montgomery Elementary  
 Oak Grove Union Elementary  
 Old Adobe Union Elementary  
 Petaluma City Elementary  
 Petaluma Joint Union High  
 Piner-Olivet Union Elementary  
 Rincon Valley Union Elementary  
 Roseland Elementary  
 Santa Rosa Elementary, City of  
 Santa Rosa High, City of  
 Sebastopol Union Elementary  
 Sonoma Valley Unified  
 Twin Hills Union Elementary  
 Two Rock Union Elementary  
 Waugh Elementary  
 West Side Union Elementary  
 West Sonoma County Union High  
 Wilmar Union Elementary  
 Windsor Unified  
 Wright Elementary

**Community Colleges**  
 Sonoma County Junior College

**Stanislaus County**

**K-12**  
 County Superintendent  
 Ceres Unified  
 Chatom Union Elementary  
 Denair Unified

Empire Union  
 Gratton Elementary  
 Hart-Ransom Union Elementary  
 Hickman Elementary  
 Hughson Union Elementary  
 Hughson Union High  
 Keyes Union Elementary  
 Knights Ferry Elementary  
 La Grange Elementary  
 Modesto City Elementary  
 Newman-Crows Landing Unified  
 Oakdale Joint Unified  
 Paradise Elementary  
 Patterson Joint Unified  
 Riverbank Elementary  
 Roberts Ferry Union Elementary  
 Salida Union  
 Shiloh Elementary  
 Stanislaus Union Elementary  
 Sylvan Union Elementary  
 Turlock Joint Elementary  
 Turlock Joint Union High  
 Valley Home Joint Elementary  
 Waterford Elementary

**Community Colleges**  
 Yosemite

**Sutter County**

**K-12**  
 County Superintendent  
 Brittan Elementary  
 Browns Elementary  
 East Nicolaus Joint Union High  
 Franklin Elementary  
 Live Oak Unified  
 Marcum-Illinois Union  
 Meridian Elementary  
 Nuestro Elementary  
 Pleasant Grove Joint Union Elementary  
 Sutter Union High  
 Winship Elementary  
 Yuba City Unified

**Tehama County**

**K-12**  
 County Superintendent  
 Antelope Elementary  
 Bend Elementary  
 Corning Union Elementary  
 Corning Union High  
 Elkins Elementary  
 Evergreen Union Elementary  
 Flournoy Union Elementary  
 Gerber Union Elementary  
 Kirkwood Elementary

Lassen View Union Elementary  
 Los Molinos Unified  
 Manton Joint Union Elementary  
 Mineral Elementary  
 Plum Valley Elementary  
 Red Bluff Joint Union High  
 Red Bluff Union Elementary  
 Reeds Creek Elementary  
 Richfield Elementary

**Trinity County**

**K-12**  
 County Superintendent  
 Burnt Ranch Elementary  
 Coffee Creek Elementary  
 Cox Bar Elementary  
 Douglas City Elementary  
 Junction City Elementary  
 Lewiston Elementary  
 Mountain Valley Unified  
 Southern Trinity Joint Unified  
 Trinity Center  
 Trinity Union High  
 Weaverville Elementary

**Tulare County**

**K-12**  
 County Superintendent  
 Allensworth Elementary  
 Alpaugh Unified  
 Alta Vista Elementary  
 Buena Vista Elementary  
 Burton  
 Citrus South Tule Elementary  
 Columbine Elementary  
 Cutler-Orosi Unified  
 Dinuba Unified  
 Ducor Union Elementary  
 Earlimart Elementary  
 Exeter Union Elementary  
 Exeter Union High  
 Farmersville Unified  
 Hope Elementary  
 Hot Springs Elementary  
 Kings River Union Elementary  
 Liberty Elementary  
 Lindsay Unified  
 Monson-Sultana Joint Union Elementary  
 Oak Valley Union Elementary  
 Outside Creek Elementary  
 Palo Verde Union Elementary  
 Pixley Union Elementary  
 Pleasant View Elementary  
 Porterville Unified  
 Richgrove Elementary  
 Rockford Elementary

Saucelito Elementary  
 Sequoia Union Elementary  
 Springville Union Elementary  
 Stone Corral Elementary  
 Strathmore Union Elementary  
 Strathmore Union High  
 Sundale Union Elementary  
 Sunnyside Union Elementary  
 Terra Bella Union Elementary  
 Three Rivers Union Elementary  
 Tipton Elementary  
 Traver Joint Elementary  
 Tulare City Elementary  
 Tulare Co. DOE Child Care Div.  
 Tulare Co. Org for Voc. Ed.  
 Tulare Joint Union High  
 Visalia Unified  
 Waukena Joint Union Elementary  
 Woodlake Union Elementary  
 Woodlake Union High  
 Woodville Elementary

**Community Colleges**  
 College of the Sequoias

**Tuolumne County**

**K-12**  
 County Superintendent  
 Belleview Elementary  
 Big Oak Flat-Groveland Unified  
 Chinese Camp Elementary  
 Columbia Union  
 Curtis Creek Elementary  
 Jamestown Elementary  
 Sonora  
 Sonora Union High  
 Soulsbyville Elementary  
 Summerville Elementary  
 Summerville Union High  
 Twain Harte-Long Barn Union

**Ventura County**

**K-12**  
 County Superintendent  
 Briggs Elementary  
 Conejo Valley Unified  
 Fillmore Unified  
 Hueneme Elementary  
 Mesa Union Elementary  
 Moorpark Unified  
 Mupu Elementary  
 Oak Park Unified  
 Ocean View Elementary  
 Ojai Unified  
 Oxnard Elementary  
 Oxnard Union High



Pleasant Valley  
 Rio Elementary  
 Santa Clara Elementary  
 Santa Paula Elementary  
 Santa Paula Union High  
 Simi Valley Unified  
 Somis Union Elementary  
 Ventura Unified

*Community Colleges*  
 Ventura County

**Yolo County**

*K-12*  
 County Superintendent  
 Davis Joint Unified  
 Esparto Unified  
 Washington Unified  
 Winters Joint Unified  
 Woodland Joint Unified

**Yuba County**

*K-12*  
 County Superintendent  
 Camptonville Union  
 Marysville Joint Unified  
 Plumas  
 Wheatland  
 Wheatland High

*Community Colleges*  
 Yuba

**Regional Occupational Programs**

Amador County  
 Antelope Valley  
 Baldy View  
 Butte County  
 Calaveras County  
 Capistrano Laguna Beach  
 Central County Occupational Ctr  
 Central County  
 Central Sierra  
 Coastline  
 Colton-Redlands-Yucaipa  
 Compton Unified  
 Contra Costa County  
 Del Norte County  
 East San Gabriel Valley  
 Eden Area  
 Forty-Niner  
 Fresno  
 Glenn County  
 Hart  
 Humboldt County  
 Imperial Valley  
 Inyo County  
 Kern County  
 Kern High School District  
 Kings County  
 La Puente Valley  
 Lake County  
 Lassen County  
 Long Beach Unified School District  
 Los Angeles County  
 Los Angeles Unified School District  
 Marin County  
 Mendocino County  
 Merced County  
 Mission Trails  
 Mission Valley ROC/P  
 Modoc County  
 Napa County  
 North Kern Vocational Training  
 North Orange County  
 Oakland-Alameda  
 Plumas and Sierra County  
 Riverside County  
 Sacramento County  
 San Antonio  
 San Bernardino County  
 San Diego County  
 San Francisco County  
 San Joaquin County  
 San Mateo County  
 Santa Barbara County -North  
 Santa Clara County -North  
 Santa Clara County -South  
 Santa Cruz County  
 Santa Lucia

Shasta-Trinity  
 Siskiyou County  
 Siskiyou (9-12)  
 Solano County  
 Sonoma County  
 Southeast Los Angeles County  
 Southern California  
 Tehama County  
 Tri-Cities  
 Tri-County  
 Tri-Valley  
 Tulare Co. Org. for Vocational Education  
 Valley  
 Ventura County  
 West Side  
 Yolo County  
 Yosemite

**State Agencies**

Board of Governors,  
 California Community Colleges  
 CSU Chico  
 CSU Humbolt  
 CSU Los Angeles  
 CSU Northridge  
 CSU San Francisco  
 CSU San Jose  
 California School for the Deaf  
 Commission for Teacher Prep.  
 Department of Education  
 Lanerman State Hospital  
 Porterville State Hospital

# Cash Balance Benefit Program

## PARTICIPATING EMPLOYERS

### Alameda County

Berkeley Unified School District  
 Chabot-Las Positas Community College District  
 Fremont-Newark Community College District  
 Fremont Unified School District  
 Peralta Community College District

### Butte County

Butte County Community College District

### Contra Costa County

Contra Costa Community College District  
 West Contra Costa Unified School District

### Los Angeles County

Antelope Valley Community College District  
 El Camino Community College District  
 Glendale Community College District  
 Mountain View Elementary

### Placer County

Sierra Community College District

### Sacramento County

Robla Unified School District

### San Diego County

Grossmont Union High School District  
 Mira Costa Community College District

### San Francisco County

City College of San Francisco

### San Mateo County

San Mateo Community College District

### Santa Barbara County

Allan Hancock Joint Community College

### Santa Clara County

Foothill-DeAnza Community College District  
 San Jose/Evergreen Community College District

### Solano County

Solano County Community College District

### Sonoma County

Sonoma County Junior College

### Ventura County

Ventura Community College District

### Yuba County

Yuba Community College District

## Schedule of Revenues by Source (thousands)

| Fiscal Year Ended June 30 | Participant Contributions | Employer Contributions | Percentage of Annual Covered Payroll | Investment Income | Other Income | Total     |
|---------------------------|---------------------------|------------------------|--------------------------------------|-------------------|--------------|-----------|
| 2002                      | \$3,535                   | \$3,586                | 8.05%                                | (\$943.7)         | \$0          | \$6,177.3 |
| 2001                      | 2,936                     | 3,035                  | 8.05%                                | (942.2)           | 0            | 5,028.8   |
| 2000                      | 2,590                     | 2,365                  | 8.09%                                | 812.0             | 0            | 5,767.0   |
| 1999 <sup>(1)</sup>       | 550                       | 560                    | 8.00%                                | (183.0)           | 0            | 927.0     |
| 1998                      | 772                       | 772                    | 8.09                                 | 105.0             | 0            | 1,649.0   |

(1) 1999 figures represent period from 7/1/98 to 12/31/98 for Cash Balance Plan

## Schedule of Expenses by Type (thousands)

| Fiscal Year         | Benefit Ended June 30 | Administrative Payments Expenses | Refunds | Misc                   | Total   |
|---------------------|-----------------------|----------------------------------|---------|------------------------|---------|
| 2002                | \$0                   | \$10.8                           | \$195.3 | \$0                    | \$206.1 |
| 2001                | 0                     | 8.2                              | 118.7   | 0                      | 126.9   |
| 2000 <sup>(1)</sup> | 0                     | 4.8                              | 58.5    | (263.5)                | (200.2) |
| 1999 <sup>(2)</sup> | 0                     | 387.0                            | 3.0     | 1,327.0 <sup>(3)</sup> | 1,717.0 |
| 1998                | 0                     | 397.0                            | 0       | 69.0                   | 466.0   |

(1) 2000 represents cost savings to administrative expenses to CBBP absorbed by TRB per California Education Code.

(2) 1999 figures represent period from 7/1/98 to 12/31/98 for Cash Balance Plan.

(3) Interfund interest expense on loan payable to Teachers' Retirement Fund at December 31, 1998, \$41,648. Equity transfer to Teachers' Retirement Fund recorded at fund closure \$1,285,093.



# Programs Administered or Overseen by the Retirement System

## VOLUNTARY INVESTMENT PROGRAM (formerly CalSTRS 403(b) Program)

### Schedule of Revenues by Source (thousands)

| Fiscal Year Ended June 30 | Participant Contributions | Interest, Dividends and Other Investment Income | Other | Total   |
|---------------------------|---------------------------|---|-------|---------|
| 2002                      | \$14,472                  | (\$6,158)                                       | \$0   | \$8,314 |
| 2001                      | 14,732                    | (5,099)   | 0     | 9,633   |
| 2000                      | 13,792                    | 3,116   | 0     | 16,908  |
| 1999                      | 8,675                     | 4,121   | 0     | 12,796  |
| 1998                      | 5,079                     | 2,911   | 0     | 7,990   |

### Schedule of Expenses by Type (thousands)

| Fiscal Year Ended June 30 | Annuity Payments | Administrative Expenses | Refunds | Total   |
|---------------------------|------------------|-------------------------|---------|---------|
| 2002                      | \$453            | \$372                   | \$2,553 | \$3,378 |
| 2001                      | 250              | 344                     | 2,288   | 2,882   |
| 2000                      | 250              | 275                     | 2,201   | 2,726   |
| 1999                      | 237              | 205                     | 1,610   | 2,052   |

## PARTICIPATING EMPLOYERS

### Alameda County

#### K-12

Alameda Unified  
Albany  
Fremont Unified  
Hayward Unified  
Livermore Valley Joint Unified  
Oakland Unified  
Pleasanton Unified  
San Leandro Unified

#### Community Colleges

Chabot Las Positas  
Fremont Newark  
Peralta

### Amador County

#### K-12

Amador County Unified

### Butte County

#### K-12

County Superintendent  
Bangor Union Elementary  
Chico Unified  
Manzanita Elementary  
Palermo Union  
Pioneer Union Elementary

#### Community Colleges

Butte

### Calaveras County

#### K-12

County Superintendent

### Colusa County

#### K-12

Colusa Unified

### Contra Costa County

#### K-12

County Superintendent  
Acalanes Union High  
Brentwood Union  
Lafayette Elementary  
Mt Diablo Unified  
Oakley Union Elementary  
Orinda Union Elementary  
Richmond Unified  
Walnut Creek Elementary  
West Contra Costa Unified

#### Community Colleges

Contra Costa

### Del Norte County

#### K-12

County Superintendent  
Del Norte County Unified

### El Dorado County

#### K-12

El Dorado Union High  
Lake Tahoe Unified  
Rescue Union Elementary

#### Community Colleges

Lake Tahoe

### Fresno County

#### K-12

American Union Elementary  
Central Unified  
Clovis Unified  
Fresno Unified  
Kerman Unified  
Kings Canyon Joint Unified  
Mendota Unified

#### Community Colleges

State Center

### Glenn County

#### K-12

County Superintendent  
Capay Joint Union  
Elementary  
Hamilton Union Elementary  
Hamilton Union High  
Lake Elementary  
Orland Joint Union Elementary  
Orland Joint Union High

Plaza Elementary  
Princeton Joint Unified  
Stony Creek Joint Unified  
Willows Unified

## **Humboldt County**

*K-12*

South Bay Union  
Elementary

## **Imperial County**

*K-12*

Brawley Elementary  
Calexico Unified  
El Centro Elementary  
Imperial Unified

## **Inyo County**

*K-12*

Bishop Joint Union High

## **Kern County**

*K-12*

County Superintendent  
Bakersfield City Elementary  
Belridge Elementary  
Edison Elementary  
El Tejon Unified  
Fruitvale Elementary  
Greenfield Union  
Kernville Union Elementary  
Lamont School District  
Mojave Unified  
Muroc Joint Unified  
Richland-Lerdo Elementary  
Rosedale Union Elementary  
Sierra Sands Unified  
Taft Union High

### *Community Colleges*

Westkern

## **Kings County**

*K-12*

County Superintendent  
Corcoran Joint Unified  
Lemoore Union High School

## **Lake County**

*K-12*

Konocti Unified  
Lake County Office of  
Education  
Lucerne Elementary  
Middletown Unified

## **Los Angeles County**

*K-12*

ABC Unified  
Acton-Agua Dulce Unified  
Antelope Valley Union High  
Arcadia Unified  
Bellflower Unified  
Belvedere Middle School  
Bonita  
Burbank Unified  
Centinela Valley Union High  
Compton Unified  
Covina Valley Unified  
Culver City Unified  
Downey  
East San Gabriel ROP  
Eastside Union  
El Monte Union High  
El Segundo Unified  
Glendale Unified  
Hacienda La Puente Unified  
Inglewood Unified  
La Canada Unified  
Las Virgenes Unified  
Long Beach Unified  
Los Angeles Unified  
Los Angeles County Office of Education  
Lynwood Unified  
Manhattan Beach Intermediate  
Manhattan Elementary  
Monrovia Unified  
Montebello Unified  
Mountain View Elementary  
Newhall Elementary  
Palos Verdes Peninsula Unified  
Pasadena Unified  
Rosemead Elementary  
Rowland Unified  
San Gabriel Elementary  
Santa Monica-Malibu Unified  
Santa Ynez Valley Union High  
Soledad-Agua Dulce Union Elementary  
Torrance Unified  
Valle Lindo Elementary  
Walnut Valley Unified  
Westside Union  
Whittier Union High  
William S Hart Union High

### *Community Colleges*

Antelope Valley  
Cerritos  
Citrus  
Long Beach  
Los Angeles  
Santa Clarita  
Santa Monica

## **Madera County**

*K-12*

Yosemite Union High

## **Marin County**

*K-12*

County Superintendent  
Lincoln Elementary  
Novato Unified  
San Rafael City High

### *Community Colleges*

College of Marin

## **Mendocino County**

*K-12*

Fort Bragg Unified  
Round Valley Unified  
Ukiah Unified  
Willits Unified

### *Community Colleges*

Mendocino-Lake

## **Merced County**

*K-12*

County Superintendent  
Atwater Elementary  
Ballico Cressey Elementary  
Delhi Elementary  
Dos Palos-Oro Loma Joint Unified  
El Nido Elementary  
Gustine Unified  
Hilmar Unified  
Le Grand Union Elementary  
Le Grand Union High  
Livingston Union  
Los Banos Unified  
McSwain Elementary  
Merced City Elementary  
Merced River Union Elementary  
Merced Union High  
Plainsburg Elementary  
Planada Elementary  
Snelling Merced Falls Union Elementary



Weaver Union Elementary  
Winton Elementary

**Monterey County**

*K-12*  
Bradley Union Elementary  
Carmel Unified  
Greenfield Union Elementary  
North Monterey County Unified  
Santa Rita Union Elementary  
Soledad Union Elementary

*Community Colleges*  
Monterey Peninsula

**Napa County**

*K-12*  
County Superintendent  
Napa Valley Unified  
Pleasant Ridge Unified  
Pope Valley Union  
Elementary  
St Helena Unified

*Community Colleges*  
Napa Valley College

**Orange County**

*K-12*  
Anaheim City  
Anaheim Union High  
Brea-Olinda Unified  
Capistrano Unified  
Newport-Mesa Unified  
North Orange ROP  
Ocean View Elementary  
Orange Unified  
Placentia-Yorba Linda Unified  
Saddleback Valley Unified  
Savanna School District  
Tustin Unified

*Community Colleges*  
Coast

**Placer County**

*K-12*  
Alta-Dutch Flat Union Elementary  
Penryn Elementary  
Placer Union High  
Roseville City Elementary

*Community Colleges*  
Sierra College

**Riverside County**

*K-12*  
Coachella Valley Unified  
Hemet Unified  
Lake Elsinore Unified  
Murrieta Valley Unified  
Palm Springs Unified  
Palo Verde Unified  
Riverside Office of Education  
Riverside Unified  
San Jacinto Unified  
Temecula Valley Unified

*Community Colleges*  
Desert

**Sacramento County**

*K-12*  
County Superintendent  
Center Unified  
Elk Grove Unified  
Folsom Cordova Unified  
Grant Joint Union High  
Natomas Union Elementary  
Rio Linda Union Elementary  
River Delta Joint Unified  
San Juan Unified  
Sacramento City Unified

*Community Colleges*  
Los Rios

**San Benito County**

*K-12*  
County Superintendent

**San Bernardino County**

*K-12*  
San Bernardino COE  
Adelanto Elementary  
Alta Loma Elementary  
Apple Valley  
Baldy View ROP  
Barstow Unified  
Bear Valley Unified  
Chaffey Union High  
Chino Unified  
Colton Joint Unified  
Etiwanda Elementary  
Fontana Unified  
Helendale  
Morgan Hill  
Morongo Unified  
Needles Unified  
Ontario Montclair Elementary

Rialto Unified  
Silver Valley Unified  
Upland Unified  
Victor Elementary  
Victor Valley Union High

*Community Colleges*  
Chaffey  
San Bernardino  
Victor Valley

**San Diego County**

*K-12*  
Borrego Springs Unified  
County Superintendent  
Cajon Valley Union Elementary  
Carlsbad Unified  
Chula Vista City  
Del Mar Union  
Escondido Union Elementary  
Escondido Union High  
Fallbrook Union Elementary  
Grossmont Union High  
Julian Union Elementary  
La Mesa Spring Valley  
Lakeside Union Elementary  
Mountain Empire Unified  
Oceanside City Unified  
Poway Unified  
Ramona Unified  
San Diego City Unified  
San Marcos Unified  
San Ysidro Elementary  
Santee Elementary  
Solana Beach Elementary  
South Bay Union Elementary  
Sweetwater Union High  
Vista Unified  
Warner Unified

*Community Colleges*  
Grossmont Cuyamaca  
Mira Costa  
San Diego

**San Francisco County**

*K-12*  
San Francisco Unified

*Community Colleges*  
San Francisco

## **San Joaquin County**

### *K-12*

County Superintendent  
Banta Elementary  
Delta Island Union Elementary  
Escalon Unified  
Holt Union Elementary  
Lammersville Elementary  
Lincoln Unified  
Lodi Unified  
Manteca Unified  
New Hope Elementary  
Oak View Union Elementary  
Stockton City Unified  
Tracy Elementary

### *Community Colleges*

San Joaquin Delta

## **San Luis Obispo County**

### *K-12*

Lucia Mar Unified  
Paso Robles Union Elementary  
San Luis Coastal Unified

### *Community Colleges*

Cuesta  
San Luis Obispo County

## **San Mateo County**

### *K-12*

Bayshore  
Cabrillo Unified School District  
Hillsborough City  
Jefferson Elementary  
Las Lomitas Elementary  
Menlo Park City Elementary  
Portola Valley Elementary  
Redwood City Elementary  
San Mateo City  
South San Francisco Unified

### *Community Colleges*

San Mateo

## **Santa Barbara County**

### *K-12*

Cuyama Joint Unified  
Goleta Union  
Los Alamos Elementary  
Santa Barbara County Office of Education  
Santa Maria Bonita

## **Santa Clara County**

### *K-12*

County Superintendent  
Alum Rock Union Elementary  
Berryessa Union Elementary  
Central County Regional Program  
Cupertino Union  
East Side Union High  
Evergreen Elementary  
Franklin McKinley Elementary  
Gilroy Unified  
Los Gatos-Saratoga Joint Union High  
Milpitas Unified  
Moreland Elementary  
Mountain View-Los Altos Union High  
San Jose Unified  
Solvang

### *Community Colleges*

De Anza College  
Foothill-De Anza  
San Jose/Evergreen

## **Santa Cruz County**

### *K-12*

County Superintendent  
Pajaro Valley Unified  
San Lorenzo Valley Unified  
Santa Cruz City Elementary

### *Community Colleges*

Cabrillo

## **Shasta County**

### *K-12*

Black Butte Union Elementary  
Enterprise School District  
Grant Elementary  
Millville Elementary

### *Community Colleges*

Shasta Tehema Trinity

## **Sierra County**

### *K-12*

Sierra-Plumas Joint Unified

## **Siskiyou County**

### *K-12*

County Superintendent  
Dunsmuir Joint Union High  
Etna Union High  
Klamath River Union Elementary  
Mt Shasta Union

## **Solano County**

### *K-12*

Benicia Unified  
Fairfield-Suisun Unified  
Vacaville Unified  
Vallejo City Unified

## **Sonoma County**

### *K-12*

Analy Union High  
Cloverdale Unified  
Cotati-Rohnert Park Unified  
Fort Ross Elementary  
Sebastopol Union Elementary  
Two Rock Union Elementary  
Wright Elementary

### *Community Colleges*

Sonoma County Junior College

## **Stanislaus County**

### *K-12*

Hickman Elementary  
Hughson Union High  
Stanislaus County Office of Education  
Stanislaus Union Elementary  
Turlock Joint Union High

### *Community Colleges*

Yosemite

## **Sutter County**

### *K-12*

County Superintendent  
Yuba City Unified

## **Tehama County**

### *K-12*

Los Molinos Unified  
Red Bluff Union Elementary

## **Trinity County**

### *K-12*

County Superintendent  
Southern Trinity Joint Unified



**Tulare County**

*K-12*

- Alpaugh Unified
- Liberty Elementary
- Lindsay Unified
- Porterville Union High
- Tulare County Superintendent
- Visalia Unified

**Ventura County**

*K-12*

- Moorpark Unified
- Oak Park Unified
- Oceanview Elementary
- Oxnard Elementary
- Rio Elementary

**Yolo County**

*K-12*

- County Superintendent
- Davis Joint Unified





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